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China Report

ECONOMIC AFFAIRS



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NATIONAL POLICY AND ISSUES

DENG XIAOPING'S ECONOMIC THINKING REVIEWED

Beijing JINGJI YU GUANLI YANJIU [THE STUDY OF ECONOMICS AND MANAGEMENT]
in Chinese No 5, 30 Sep 83 pp 1-9

[Article by Guo Daofu [6753 6670 1133]: "An Attempt To Discuss Deng Xiaoping's Economic Thinking"]

[Text] The "Selections from Deng Xiaoping" is a valuable document having rich content and profound thinking. The articles on socialist modernization in the "Selections" are extremely prominent and important, and occupy the central position in the entire work. We feel that we can refer to the thinking embodied in the work as Deng Xiaoping's economic thinking. In sum, Deng Xiaoping's economic thinking is the economic thinking of China's socialist modernization. An important task for the people of our country, primarily the economic workers and economic theoretical workers, is to conscientiously and thoroughly study this thinking. In this article, the author attempts to talk about his preliminary realizations of the historical factors that lie behind the formation of Deng Xiaoping's economic thinking and the basic content, characteristics and important significance of Deng Xiaoping's economic thinking.

The Historical Factors That Lie Behind the Formation of Deng Xiaoping's Economic Thinking

The formation of any thinking and theory cannot be divorced from its definite social historical factors. The formation of Deng Xiaoping's economic thinking is closely related to the socialist economic construction in our country for over 30 years, and in particular, to the socialist economic construction in recent years with the realization of the four modernizations as its major content. It is the product of a great historical transition in our country, the fruit of the acute struggle that has been launched for the realization of this transition, and the crystallization of the positive and negative experiences in socialist construction for several decades both internationally and at home.

Historically, our party has traversed two painful tribulations. One was the failure of the great revolution, and the other was the failure of the fifth anti-encirclement and anti-suppression campaign in the

Soviet district. However, under the correct leadership of Comrade Mao Zedong, our party emerged from these two calamities and difficult positions, and moved toward victory and development and ultimately toward the establishment of the People's Republic of China. Who would believe that our party would experience another episode of suffering and tribulation in the peaceful socialist construction? However, from the outbreak of the Great Cultural Revolution to Lin Biao's coming to power till the fury of the "gang of four," this pain and suffering did indeed become a reality. At this point, whether or not we could emerge from the third calamity and difficult position became a problem that was related to the fate of the Communist Party of China, the Chinese people and the socialist construction in China. The solution to this problem would basically be the realization of a shift from taking class struggle as the key link to taking economic construction as the focus in the work of the party and state. It was precisely in the course of realizing this great historical transition that Deng Xiaoping's economic thinking was formulated.

The production of materials and goods is the basis for the survival and development of human society. This is the most fundamental principle of Marxism. In the first few years since the nation's founding, the Communist Party of China persevered in this fundamental principle of Marxism. While carrying out the transformation of the relations of production with the socialist transformation of the system of ownership of the means of production as the primary content, we vigorously emphasized the development of the social productive forces. Consequently, our national economy developed smoothly, the people's standard of living continued to improve and the entire society was filled with the spirit of spring and with prosperity and vigor, demonstrating the tremendous superiority and boundless vitality of the socialist system.

Nevertheless, before long, the tide began to change. The correct principle that guided our country to attain tremendous results in socialist construction and the brilliant decisions made at the 8th CPC Congress based on the victory through consolidation and development were replaced by the erroneous thesis, which became more and more popular after 1957, that the so-called contradiction between the two classes and two roads was the major contradiction in our country's socialism. With the outbreak of the "Great Cultural Revolution," this thesis was even raised to the high degree of the basic line of the party in the entire socialist historical stage. Theoretical bias inevitably brought about setbacks in practice. "The clear water that flowed eastward has now turned back its course." The former surging tide of construction changed to a state of deposit and backflow at this point, and the entire national economy bordered on collapse. In particular, the political influence brought about by the economic standstill could not be overlooked. Some people began to nurture sentiments of doubt toward the leadership of the Communist Party and toward the socialist system. Under such a circumstance, the hope of the era and the expectation of the people both demanded change of the present condition and a transition so as to

restore and develop the excellent situation of the early and middle periods of the fifties. However, the "leftist" thinking and theory by this time was at the height of popularity. Thus, the realization of a transition first of all required the proposition of a theory that was in accordance with Marxism and with reality, that reflected the wishes of the broad masses of people and that could produce obvious results in practical work. In 1975, Comrade Deng Xiaoping presided over the daily work of the central authorities and the work of the State Council. On the one hand, he implemented a series of principles in practical work in an attempt to correct the harm which the "leftist" thinking had brought upon the socialist economic construction. On the other hand, he proposed many ideas that shone with real knowledge and deep insight. These ideas, in sum, were the thinking of shifting the basic task of the party onto economic construction.

"The Huang He zigzags through 10,000 li of desert; the wind carries the waves to the end of the world." The realization of a historical transition and the proposition of a theory that promotes the realization of a historical transition is definitely not smooth. It inevitably must undergo tortuous and stormy struggles. Deng Xiaoping's economic thinking not only is the product of the great historical transition in the middle period of the seventies in our country. It also comes into being gradually in the struggle against the "gang of four" and other "leftist" thinking that obstructed the historical transition. The eight speeches included in the beginning of the "Selections" as well as other speeches, such as "The 'Two Whatevers' Are Not in Accordance With Marxism" and "A Complete and Accurate Understanding of Mao Zedong Thought," have reflected this process.

In 1975, the year when Deng Xiaoping presided over the daily work of the central authorities, the "gang of four" ran wild. Harboring ulterior motives, they made use of the "leftist" thinking and carried it to its extreme, and concocted a set of absurd theories such as carrying glory, carrying transition, carrying revolution and carrying socialism to the extreme. Theoretically, they vigorously criticized "the theory of the productive forces" and basically negated the task of carrying out economic construction after the proletariat had seized political power. In practical work, they incited a halt in production, tried their best to undermine the productive forces and obstructed the development of the national economy. Shouldering the heavy responsibility of the era, Comrade Xiaoping lived up to the expectations of the people and conducted a series of highly effective works. In light of the confusion created by the "gang of four," he proposed that rectification was necessary in all aspects. He also vigorously emphasized such tasks as the building of a leading body and the establishment of rules and regulations. In particular, he stressed the necessity to emphasize product quality, emphasize the standard of living of the masses, persevere in distribution according to labor and mobilize the enthusiasm of the masses. At the same time, he proposed specific ideas on developing industry. All this was directly opposite to and incompatible with the stuff that was advocated by the "gang of four." This struggle was

waged around the issue of whether or not we wanted the four modernizations. In terms of the near future, Deng Xiaoping's speeches and work at the time were to restore and promote the national economy that was bordering on collapse. From the long term point of view, they were aimed at "Building our country into a powerful socialist nation that has a modern agriculture, modern industry, modern defense and modern science and technology." ("Selections from Deng Xiaoping," p 4. Only the page number will be given for quotations from this book in the rest of the article.) No wonder the "gang of four" wildly shouted: "The day the four modernizations are realized will be the time when capitalism is restored." (p 83) This also proved reversely that Comrade Deng Xiaoping's economic thinking of the socialist modernization was preliminarily put forth in the struggle against the "gang of four."

After the smashing of the "gang of four" and 2 years of necessary preparations, the Third Plenary Session of the 11th CPC Central Committee was convened, at which time the strategic policy decision on shifting the focus of work was made. Before this time, because Comrade Hua Guofeng, chairman of the CPC Central Committee at the time, still persisted in the erroneous line of "taking class struggle as the key link" and implemented the erroneous principle of the "two whatevers," the "leftist" mistake of such guiding ideology created an extremely great obstruction to the shift in the focus of work. For this purpose, Comrade Deng Xiaoping made the speeches "The 'Two Whatevers' Are Not in Accordance With Marxism" and "A Complete and Accurate Understanding of Mao Zedong Thought." Afterward, in many speeches, he again clearly supported the discussion on the problem of the criterion of truth. He sharply pointed out that: "If a party, a country or a nation of people proceeds from the book in everything, embraces a rigid way of thinking and lets supersitition pervail, the it will not be able to advance and it will lose its chance of survival. Then the party will perish, and the country will perish." (p 133) The height of this theory of understanding hit directly at the "two whatevers." As to the important significance of this discussion, he pointed out that: "Its essence lies in whether or not one perseveres in Marxism-Leninism and Mao Zedong Thought." "If we do not solve the problem of our ideological line and do not emancipate our thinking, we will not be able to formulate a correct political line, and even if we have formulated it, we will not be able to implement it." (p 176) This brought to light the direct relationship between criticizing the mistake of the "two whatevers" and realizing the shift in the focus of work. In addition, realizing the shift in the focus of work was the important prerequisite to launching the socialist modernization. This therefore clearly indicated that Deng Xiaoping's economic thinking was formulated in the struggle that was waged in realizing the shift in the focus of work.

We should point out that, although Deng Xiaoping's economic thinking was preliminarily formulated in the above-mentioned period of historical transition, it was actually the inevitable product of the experiences accumulated from the socialist economic construction of our country for over 30 years. At the same time, it was also the result of learning

the experiences of the economic construction of the socialist countries. Our country has achieved many results in socialist economic construction for over 30 years, and has obtained many valuable experiences of success. At the same time, we have made many mistakes and suffered serious setbacks. These mistakes and setbacks have also made us wiser. At least, they have enabled us to strive not to repeat our steps in our work in the future. For instance, the crux of Deng Xiaoping's economic thinking is to take economic construction as the key. In talking about economic construction as the key, Comrade Deng Xiaoping said: "If we depart from this key of economic construction, we will be in danger of losing our material basis. Other tasks must obey this key and surround this key, and must absolutely not obstruct or assault it. The lessons which we have learned from the past 20 years or more are too bitter." (p 214) Also, a key content in Deng Xiaoping's economic thinking is the unity of speed and results. This is also an understanding that is reached on the basis of summing up our previous experience of being overanxious for quick results and pursuing speed in a one-sided manner. We can say that, without the practice in economic construction for over 30 years, Deng Xiaoping's economic thinking would not have been formulated.

The Basic Content of Deng Xiaoping's Economic Thinking

As economic thinking for China's socialist modernization, Deng Xiaoping's economic thinking embodies an extremely rich content. This content can generally be divided into the following major aspects:

(I) The General Task of the Party in the Period of the Socialist Construction.

As early as October 1979, Comrade Deng Xiaoping had already preliminarily put forth the general task of our party in the period of socialist construction. He said: "Our country has already entered a new stage of socialist modernization. While raising our social productive forces by a wide margin, we must reform and perfect the socialist economic system and political system, and develop a high-level socialist democracy and a perfect socialist legal system. While building a high level of material civilization, we must raise the scientific and cultural level of our entire nation, develop a lofty, rich and colorful cultural life and build a high-level socialist spiritual civilization." (p 180) Later, he again pointed out: "Generally speaking, the political line of our party at the present stage is to carry out the four modernizations wholeheartedly." (p 240) "We have stipulated this general task of carrying out the four modernizations and we will absolutely not permit any dispersion of energy." (p205) This thinking of Deng Xiaoping was discussed on many occasions at the plenary sessions of the CPC Central Committee. At the 12th CPC Congress, it was defined as the general task of the party in the present historical stage, and was specifically expressed in the following manner: Unite the people of all our nationalities in working hard and self-reliantly to achieve, step by step, the modernization of our industry, agriculture, and national defense and science and technology and to make China a culturally

because there are too many problems left over from the past, and there are all kinds of proportional disharmony. Within 5 to 10 years, the speed of economic development can only be an increase of 4 percent each year. It will be amazing if it reaches 5 percent. We hope that in the following 10 years, which are also the last 10 years of this century, the speed of economic development will be higher." (pp 361-362) That is to say, in the next 20 years, we must establish a good foundation and build up our strength in the first 10 years, so that we will be able to enter into a new period of economic revival in the following 10 years. This strategic thinking and strategic measure has been passed and further specified at the 12th CPC Congress. The proposal of this strategic thinking indicates that, from now on, our economic construction must truly take satisfying the needs of the people's material and cultural standard of living as the basic aim. At the same time, it also implies that we will place the raising of economic results in an important position and will not pursue high quota and high speed in a one-sided and blind manner.

(III) Modernization Must Proceed from China's Reality and Must Aim at Building a Socialism with Chinese Characteristics.

Scientific socialism is an important component part of Marx's works. However, what scientific socialism aims at solving is the problem of the basic theory of socialism. It cannot replace the problem of how to build socialism after a country's proletariat has won political power. Our country has no doubt achieved tremendous results in economic construction for over 30 years. However, we have also suffered several major setbacks. The achievement which we have scored is nothing compared to the price which we have paid. Thus, how can we achieve greater results through paying a smaller price in building socialism? In his "Opening Speech at the 12th CPC Congress," Comrade Xiaoping pointed out: "Integrate the universal truth of Marxism with the concrete reality of our country, follow our own road and build a socialism with Chinese characteristics. This is the basic conclusion which we have drawn from our experiences through the long period of history." (p 372)

To proceed from China's situation, we must first clarify what we primarily refer to as China's situation. Comrade Deng Xiaoping pointed out: "To realize the four modernizations in China, there are at least two important characteristics which we must be able to recognize: One is our weak basis. ...The other is our large population and lack of arable land." (pp 149-150) "Only through long-term struggle can we catch up with the level of the advanced countries." (p 224) To build socialism in such a large and poor nation, we must have adequate understanding and sufficient ideological preparation toward the complexity of the situation and the difficulty of our task. Thus, we must absolutely not pursue speed in a one-sided manner or be overanxious for success. Rather, we must firmly erect the guiding ideology of carrying out long-term struggle and advance in a down-to-earth and steady manner.

The basic economic law of socialism asks that our production and construction aim at satisfying the needs of the people's material and cultural standard of living. This point is particularly acute in terms of a large and poor socialist country like ours. Thus, in the course of the socialist modernization, we must first of all handle properly the relationship between economic construction and the people's livelihood. Comrade Xiaoping pointed out: "We can only improve our livelihood step by step on the basis of developing production. It is not right to develop production and not improve livelihood. By the same token, it is not right and also not possible to improve livelihood without developing production." (p 222) This has proposed for us a principle of taking all-round consideration in handling the relationship of production and construction to the people's livelihood. Furthermore, in production and construction, due to too many aspects and limited national strength, we must have a concept of the overall situation and uphold the thinking of "coordinating all the activities of the nation like pieces in a chess game." "Our country is large and our population is large. It will not work if we do not have some large-scale core industries." (p 361) Thus, it is entirely necessary to concentrate the necessary manpower and financial and material resources to ensure the key construction projects. At the same time, "we must do what we are capable of in regard to improving production and construction, administrative facilities and the people's standard of living, and keep expenditures within the limits of income. This is called being practical and realistic." (p 314) In talking about the two important characteristics of realizing the four modernizations in China, he pointed out in particular that: "We have inadequate arable land and a large population, particularly a large peasant population. Changing this situation is not very easy." (p 150) The condition of the 800 million peasants and agriculture is greatly related to modern economic construction. Thus, Comrade Deng Xiaoping stressed that we must "attach importance to developing agriculture. No matter what happens under heaven, as long as the people have enough to eat, everything will be easy." (p 361) This is what we must pay attention to in handling the relationship between agriculture, light industry and heavy industry. In addition, we must also recognize the contradiction between modernization and this characteristic of a large population. "For instance, modernized production needs fewer people. Yet, we have such a large population. How can we take both aspects into consideration? If we do not make overall arrangements, we will be faced with the social problem of insufficient employment for a long period of time." (p 150) This determines the fact that, in our modernization, we must not simply pursue advanced technology, but must take into consideration at the same time our country's abundant labor resources and the problem of labor employment. We must adopt advanced technology, intermediate technology, general technology as well as the necessary manual labor in a discriminate manner. In short, because our country is a large and poor socialist country, in the entire course of realizing the four modernizations, we must proceed from our country's characteristics, pay attention to handling properly the relationship between all aspects and follow the road of modernization in the Chinese style.

(IV) Persevering in the Four Basic Principles Is the Basic Prerequisite To Realizing the Four Modernizations.

Any country that wants to change its backward productive forces into highly-developed productive forces will have a problem of realizing modernization. However, the four modernizations are not exclusive to China and unique to socialism. Thus, guaranteeing that our country's four modernizations will persevere in the socialist orientation and road has become the basic prerequisite for our country's modern economic construction. How then can we guarantee that our country's four modernizations can persevere from beginning to end in the correct orientation and road? Comrade Deng Xiaoping pointed out: "To realize the four modernizations in China, we must persevere in the four basic principles ideologically and politically. These are the basic prerequisites for realizing the four modernizations." (p 150) Of course, our party has all along persevered in the socialist road, persevered in the dictatorship of the proletariat, which is the people's democratic dictatorship, persevered in the leadership of the Communist Party and persevered in Marxism-Leninism and Mao Zedong Thought. However, Comrade Deng Xiaoping summed them up into "persevering in the four basic principles." This not only has strengthened its aim, but has also consolidated and developed its content, made it clearer, more prominent and abundant. This is of very great significance. In talking about persevering in the four basic principles, Comrade Li Xiannian said that it "is the fundamental aspect of our nation's founding." This is entirely correct.

(V) Carrying Out Reform of the System of Organization Is the Basic Guarantee for Realizing the Four Modernizations.

The socialist system is superior. This point is beyond doubt. The question lies in the fact that the various original systems in our country, such as the system of leadership, the system of organization, the system of work and the system of economic management, embody all kinds of corrupt practices. If we do not carry out reform, they will inevitably become serious obstacles to modern economic construction. Comrade Deng Xiaoping repeatedly pointed out that the various mistakes which we have made in the past no doubt were related to the style of thinking of certain leading personnel. However, the problems in respect to our systems were more important, and embraced more fundamental, stable and long-term characteristics. For instance, "the power is too centralized in the present economic system of management in our country," (p 135) and "in the work of economic management, we have overstaffed organizations, overlapping administrative levels, many and diverse procedures . . . extremely low efficiency." (p 140) Thus, "in order to effectively realize the four modernizations, we must conscientiously solve all kinds of problems concerning the economic system of organization." (p 147) "Only through resolutely and thoroughly reforming these corrupt practices in a planned manner step by step" (p 293) can we "give full play to the superiority of the socialist system and speed up the development of the cause of modernization." (p 282) "If

we still do not carry out reform, we will ruin our modernization cause and our socialist cause." (p 140) This has sharply put forth the sense of urgency of the whole party and the people throughout the country in carrying out the reform of the system or organization.

In light of the spirit of the speeches delivered on many occasions by Comrade Xiaoping, we can summarize the major content of the reform of the economic system of organization in the following aspects: Reform the over-centralized economic system of management, expand the decision-making power of the localities and enterprises in economic management, and give full play to the enthusiasms of the four aspects of the state, the locality, the enterprise and the individual; implement democratic management, and the various enterprise and professional units must generally set up workers representative congresses or workers representative conferences; use economic methods in managing the economy; implement diversified forms of the system of responsibility; preserve in the principle of distribution according to work and implement the system of assessment; advocate becoming wealthy through hard work in our economic policy; and implement opening to the outside world economically, and so on and so forth.

The reform of the system of organization is a profound revolution and and arduous and long-term task. Comrade Deng Xiaoping pointed out: "The reform in the relations of production and the superstructure particularly is not going to be smooth. It involves a broad area and the personal interests of a large group of people. All kinds of complex situations and problems will definitely appear, and there will definitely be obstacle after obstacle. ...In this respect, we must have sufficient ideological preparation." (p 142) The reform of the system of organization which our country has actually launched in recent years is launched precisely under the guidance of Comrade Deng Xiaoping's thinking concerning the reform of the system of organization.

(VI) Developing Scientific and Technological Education, Training Scientific and Technological Personnel and Strengthening Intellectual Development Are the Key Links to Realizing the Four Modernizations.

Comrade Deng Xiaoping once said: "The key to the four modernizations is the modernization of science and technology." (p 83) This viewpoint not only is in accordance with the reality of the development of the productive forces, but is also in accordance with Marxism. Under the socialist system, whether or not we can realize the change toward a modern mode of production and mode of living and establish a high level of material civilization and high level of spiritual civilization will be determined by "the general level of science and the extent of technological progress or the application of science in production." (Marx: "The General Programme of the Criticism of Political Economy (Draft)")

People will not forget that, when the "gang of four" were running wild, not only was knowledge regarded as useless, but, under the slogan "the more knowledge, the more reactionary," it even became the root of courting disaster! The intellectuals naturally became the targets of discrimination and attack. The economy came to a standstill, science and technology lagged behind, ignorance prevailed. This was the picture of our country's society at the time. If things continue this way, there will be no future for the hard-working, brave and wise Chinese nation!

After the smashing of the "gang of four," the poisonous thorns of their remnant ideology were not all pulled out immediately. If this problem is not solved, it will be fundamentally impossible to carry out modern economic construction. Thus, shortly after the smashing of the "gang of four," Comrade Deng Xiaoping specifically talked about the problem of "respecting knowledge and respecting skilled personnel." He sharply pointed out that: "We cannot rely on empty talk to realize modernization. We must have knowledge and skilled personnel." (p 37) He put forth three aspects of work in solving this problem: The first is to develop science and technology vigorously; the second is to emphasize education while emphasizing science and technology; and the third is to correctly reevaluate the position and role of intellectuals, pointing out that "those who are engaged in mental labor are also laborers." (p 38) Later, at the opening session of the National Scientific Conference, he reiterated and further elaborated on these issues, and put forth this Marxist proposition that "science and technology are productive forces." The 12th CPC Congress again defined the issues of education and science as the strategic focus of the next 20 years. These ideas have played a very important role in promoting the development of our country's science and technology and education cause and bringing into full play the enthusiasm of our country's broad masses of intellectuals in engaging in the four modernizations.

The above six aspects are the author's own preliminary conclusions and realizations in the course of studying the "Selections from Deng Xiaoping." In reality, the content of Deng Xiaoping's economic thinking is far more abundant than what is listed above. Deng Xiaoping's economic thinking is a valuable theoretical treasure for the people of our country. With the deepening of the study of the "Selections from Deng Xiaoping," the profundity and scope of this thinking will be displayed still further in front of people.

The Major Characteristics of Deng Xiaoping's Economic Thinking

As economic thinking for the socialist modernization, Deng Xiaoping's economic thinking embodies the following major characteristics:

(I) Affinity for the People

"The river, 30,000 li long, flows eastward into the sea; The mountain, 5,000 chi high, reaches for the sky." Everywhere from its starting point to its end result, Deng Xiaoping's economic thinking is aimed at the

interests of the people. Comrade Xiaoping said; "Our most impossible politics at present is socialist modernization. This is because it represents the greatest and most fundamental interests of the people." (p 149) He also said: "let us think for a moment. How much have we indeed done for the people? We must speed up the development of the productive forces in light of our present favorable conditions, so as to enable the people to have a better material standard of living, and to have a better cultural standard of living and spiritual outlook." (p 123) These are all words from the bottom of his heart. As everyone knows, Comrade Xiaoping was toppled for many years during the "Great Cultural Revolution." When he re-emerged in 1975, he was faced with the awesome power and influence and fury of the "gang of four," Why was he bold enough to emphasize rectification and advocate the four modernizations? Didn't he know that he might be in danger of being toppled once again? He did, but he was not afraid. As he himself said: "Frankly speaking, I have thought about it. If I come out to work, I can have two attitudes; one is to be an official, and the other is to do some work. I thought, who asked you to be a Communist? Since I am one, I cannot be an official and cannot have selfish thoughts. I have no other choice." (quoted from RENMIN RIBAO on 8 July 1983 p 5) We can see that, in order to work for the interests of the people and to live up to the warm support which the people showed toward his coming forth to work again, he had long set aside his personal honor or disgrace and safety or danger. What --an truly fulfill the interests of the people can only be to lead this boat--China--from the hidden rocks and dangerous rapids of engaging in class struggle in a one-sided manner to the boundless expanse of blue water of the socialist modernization. When Comrade Deng Xiaoping was later again toppled because he did implement the principle of correcting the mistakes of the "Great Cultural Revolution" in the systems, the "5 April" Tiananmen mass movement of protest, well-known both at home and abroad, took place shortly thereafter. Just as it was pointed out in the "Decisions Concerning the Several Historical Questions of the Party Since the Nation's Founding": "This movement, in essence, supports the correct leadership of the party with Comrade Deng Xiaoping as its representative." This fully explains why the economic thinking of Comrade Deng Xiaoping in going for the socialist modernization entirely accords with the will of the people and with history, and is the basic demand in the interests of the people. Marx once said: "The extent to which a theory is realized in a country is determined by the extent to which the theory satisfies the needs of this country." ("Collected Works of Marx and Engels," Vol 1 p 462) In the course of guiding our country's socialist modernization, Deng Xiaoping's economic thinking is being realized step by step. Practice has proved and is effectively proving that it is what our country needs, is what history needs and is what the people need.

(II) Degree of Thoroughness

Marx once said this: "As long as a theory is convincing, it will have the masses under control; and, as long as a theory is thorough, it will be convincing. The so-called thorough means to have a grip on the fundamentals of things." ("Collected Works of Marx and Engels," Vol 1 p 460) Now, nobody can deny that Deng Xiaoping's economic thinking has convinced people and has had the masses under control. The fact that it can do so is not through eloquence but through the thoroughness of this thinking.

The practice of the large-scale socialist modernization in our country of 1 billion people represents the fundamental orientation of our country's social development. This great practice is precisely the source of Deng Xiaoping's economic thinking. First of all, the birth of Deng Xiaoping's economic thinking corresponds to the urgent demand of the people of our country in launching socialist modernization. Secondly, every bit of the content of Deng Xiaoping's economic thinking has come from this practice and there is not mistake what it is aimed at. The people's practical activity is definitely not natural or rational. But whether it is correct or erroneous, it plays a role on the formation of a theory. A leader who shows great foresight and who has mature thinking is good at summing up the practical activities of the masses, thereby giving prominence to the correct aspects and correcting mistakes. It was in such a course that Deng Xiaoping's economic thinking came into being step by step. Thus, it is able to have a grip on the fundamentals of socialist modernization. All of its specific ideas, theses, methods and measures are reasonable, consistent from beginning to end and mutually linked together, thus forming a complete system. In this manner, it embraces a degree of thoroughness. Of course, the degree of thoroughness here definitely does not imply that this thinking is fully developed and does not need to be developed continuously. Just the opposite. Its thoroughness lies precisely in the fact that it not only derives its source from the practice of the socialist modernization, but that it also will become more consolidated day by day, will become more abundant and will develop continuously with the development of this practice.

(III) Guidance Nature

The mission of a theory is to guide practice. This does not apply to Deng Xiaoping's economic thinking alone. The reason why guidance has become an important characteristic of Deng Xiaoping's economic thinking primarily lies in the fact that it is the theoretical basis for stipulating the various principles and policies regarding the economic construction in our country. This first of all is because it accords with the objective demand of the basic economic laws of socialism. The basic economic laws of socialism determine the fact that socialist production must take as its purpose the fulfillment of the needs of the people's material and cultural livelihood. However, in the 20 years after the mid-fifties, we violated the demand of this law. Consequently, our economy suffered setbacks and the people complained. The

proposal made by Comrade Deng Xiaoping to shift the focus of work is entirely in accordance with the demand of the basic economic laws of socialism. Furthermore, his other ideas on launching the reform of the system of organization, on persevering in distribution according to work and on abiding by the law of value are all proposed in accordance with the demand of the socialist economic laws. Thus, the various principles and policies that are stipulated under the guidance of this thinking can guarantee the smooth development of the socialist modernization and can win the unanimous support of the masses of people. Secondly, Comrade Deng Xiaoping is the primary decision-maker in our party at present. This is known to everyone at home and abroad. So, naturally, his economic thinking is guiding the stipulation of our party's economic policies and the launching of our economic work. For instance, the speech, entitled "Emancipate Thinking, Work in a Down-to-Earth Manner and Unite in Looking Ahead," which he delivered prior to the Third Plenary Session of the 11th CPC Central Committee, was in reality the topic of the report at the Third Plenary Session. It put forth a Marxist ideological line for the four modernizations in our country and has played a tremendous guiding role in promoting the shift in the focus of work. His speech at the opening session of the 12th CPC Congress was the general outline of all the documents of the 12th CPC Congress, and its guiding significance is self-explanatory.

(IV) Creativity

Whether or not thinking or a theory has vitality is to a great extent determined by whether or not it is creative. Also, whether or not it is creative and how creative it is are determined by how close it is to practice. In addition, it is also related to the boldness of vision, courage and resourcefulness and accomplishment of the thinker and theorist. We have said above that Deng Xiaoping's economic thinking derives its source from the practice of socialist modernization. In the course of guiding this great practice, it boldly puts forth new issues and solves new problems continuously in light of the needs of the development of the practice. This basically determines the creativity of this economic thinking. Comrade Xiaoping has all along opposed copying the experiences and the modes of other countries, and has stressed that "our modernization must proceed from China's reality" (p 371). "To look ahead, we must study new situations and solve new problems without delay..., in particular, we must pay attention to studying the problems in the three aspects of the methods of management, the system of management and economic policies." (p 139) This is precisely why Deng Xiaoping's economic thinking embodies many issues which have not been proposed or touched on in the past and the questionable points and theories which have not been formulated in the past. For instance, although the four basic principles themselves are not new problems, yet they embrace new significance under the new historical conditions. In particular, we need a new and sufficiently convincing proof in light of the new and abundant reality. The proposition of the four basic principles as the basic prerequisites for realizing

the four modernizations is an important manifestation of the high degree of creativity of Deng Xiaoping's economic thinking. Comrade Mao Zedong once said: We have not entered the socialist era. A series of new problems has appeared. This demands that we create our own theories and write new works. Deng Xiaoping's economic thinking is worthy of such demand.

The Important Significance of Deng Xiaoping's Economic Thinking

The formation of Deng Xiaoping's economic thinking embodies an important significance in many respects.

First, Deng Xiaoping's economic thinking is a major development of Marxism-Leninism and Mao Zedong Thought.

The basic principle of Marxism-Leninism embodies universal significance. This point is self-evident. However, the birth of Marxism-Leninism also has its given social historical factors. As for us, we are undergoing socialist modernization in the 1980's in China, a country that has a large population, insufficient land and a backward economy. Thus, new situations and new problems emerge one after another before us. We definitely must not copy Marxism-Leninism, but must develop it with a creative spirit. For instance, Deng Xiaoping's thinking that takes economic construction as the key is proposed on the basis of the thinking of Marx and Engels that one should "increase the total output of the productive forces as quickly as possible" after the proletariat has won political power. ("Selected Works of Marx and Engels," Vol 1 p 272) On this basis, he further summed up the experiences of several decades of socialist construction at home, and put forth the three strategic tasks of achieving modernization economically, a high level of democracy politically and a high level of civilization ideologically and culturally as the general task of the socialist construction in our country. This is unprecedented in the history of development of Marxism-Leninism.

Mao Zedong Thought is the scientific product of the integration of Marxism-Leninism and the concrete practice of the Chinese revolution. Even with Mao Zedong Thought, there also exists a question of continuous development. This includes criticizing and correcting the mistakes made by Mao Zedong in his later days and enabling us to return to the path of Mao Zedong Thought in our work. This also includes further developing Mao Zedong Thought in light of the new conditions. When all kinds of doubt and negation keep pouring in from inside and outside the party and at home and abroad toward the historical position of Comrade Mao Zedong and toward Mao Zedong Thought, Comrade Xiaoping, on the one hand, publicly, solemnly, practically and realistically pointed out and criticized the mistakes made by Comrade Mao Zedong in his later days. On the other hand, with great political fervor and cool scientific attitude, he resolutely and effectively defended Mao Zedong Thought and stressed that we must restore the true colors of Mao Zedong Thought and further develop Mao Zedong Thought under the new

historical conditions. Thus, we should say that Deng Xiaoping's economic thinking is a continuation and development of Mao Zedong Thought under the new historical conditions. For instance, on the basis of affirming Comrade Mao Zedong's theory of the basic contradictions in socialist society, Comrade Deng Xiaoping also developed this theory. He pointed out: "The level of the development of our productive forces is very low and is far from satisfying the needs of the people and the country. This is our major contradiction at the present stage. Our central task is to solve this major contradiction." (p 168) How then can we solve this major contradiction under the present circumstance? Comrade Xiaoping again pointed out: "Since we want to change our present backward productive forces on a large scale, we must change the relations of production in many ways, change the superstructure, and change the mode of management of the industrial and agricultural enterprises and the mode of management of the state toward the industrial and agricultural enterprises, in order to meet the needs of a modern large-scale economy." (p 125-126) This has provided the important theoretical basis for us in the reform of the system of organization.

Second, the formation of Deng Xiaoping's economic thinking marks a greater maturity than in the past of the Chinese proletariat, the Chinese Communist Party members and the practice of China's socialist construction.

Since 1956, the "leftist" thinking and theory prevailed in our country for more than 20 years and brought about grievous losses to our country's socialist economic construction. During this period, in addition to the sabotage and disturbance by Lin Biao and the "gang of four," the losses were the results primarily of the inadequate ideological preparedness of the majority of comrades toward building socialism on an all-round scale. In accordance to the Marxist theory of understanding, people's understanding must undergo a course of practice--understanding--more practice--more understanding step by step toward the attainment of correct understanding. In the mid-fifties, our country had only undergone several years of socialist revolution and construction. Even till the present, it has only been some 30 years. The extent of maturity of a theory is directly proportional to the extent of maturity in practice. This is because it takes a considerably long process for the objective world to reveal its true colors gradually to a point when it is fully understood by people. When the proletariat of our country still lacked the experience in socialist economic construction and lacked sufficient understanding of its protracted, arduous, complex and tortuous characters, the emergence of an impetuous sentiment of being overanxious for success is not a surprise. We have suffered from our setbacks and failures and have learned our lessons from our mistakes. Now, we have a more profound understanding of the law of socialist construction. Hence, we have launched a new period of the four modernizations. Thus, the formation of Deng Xiaoping's economic thinking as thinking of the socialist modernization is an important symbol of the greater maturity than in the past of the Chinese proletariat, the Chinese Communist Party members and the practice of China's socialist construction.

Lastly, Deng Xiaoping's economic thinking is an important guarantee for the smooth development of our country's socialist economic construction.

The launching of practical activity at any time cannot be divorced from the guidance of a definite thinking and theory. No doubt, our country scored impressive achievements in economic construction in the past. However, when the socialist economic construction was launched on an all-round scale, due to the lack of a more mature thinking and theory as guidance in our socialist economic construction, we traversed a tortuous and hesitant and, in part even regressing, path. After the smashing of the "gang of four," from the Third Plenary Session of the 11th CPC Central Committee to the convocation of the 12th CPC Congress, the party Central Committee stipulated a series of correct principles and policies. This shows that our country's economic construction has embarked on the correct path and has set sail for a long voyage. "The time will come when we will ride on the strong wind, and with large sails, tide over the sea of poverty." In the new historical course, Deng Xiaoping's economic thinking has become a beacon that guides the course of our country's socialist modernization.

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NATIONAL POLICY AND ISSUES

DONG FURENG ON IMPORTANT ROLE OF LAW OF VALUE

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[Article by Dong Fureng [5516 6534 4356] of the Economics Research Institute of the Chinese Academy of Social Sciences, August 1983: "The Law of Value is a Great School--Commemorating the 90th Anniversary of Comrade Mao Zedong's Birth"]

[Text] In March 1959, in order to counter the practice of premature transition to communism characterized by "egalitarianism" and to correct the errors of negating commodity production and equal value exchange, Comrade Mao Zedong wrote on a report the following instruction: "Only by keeping accounts can we implement the objectively existing law of value. This law is a great school. Only by applying this law can we teach our millions of cadres and hundreds of millions of people to master it and can we build socialism and communism. Otherwise, it will be impossible for us to achieve these aims." Comparing the law of value to a great school is an idea that tremendously greatly enlightens and instructs the people. Though the current situation has already become quite different from the poor situation caused by the harm of the premature transition to communism at the time when Comrade Mao Zedong put forth this idea, and though we have made great progress in understanding the role of the law of value under a socialist system since the time when Comrade Mao Zedong put forth this idea, this idea should still be taken into serious consideration when we are carrying out our present economic structural reform.

I.

The law of value is a law governing the production and exchange of commodities. Commodity production and exchange exist and develop in a socialist economy and, therefore, the law of value also operates in this economy. The transition from commodity production and exchange on the basis of a system of private ownership to commodity production and exchange on the basis of socialist public ownership cannot help but bring about a change in the nature and movement more of the relations of production, thus giving rise to a corresponding change in the mode in which the law of value plays its role and a change in the social results of this law. For example, in an economy of private ownership, the law of value functions and gives rise to the division of commodity producers into two opposed extremes, but this will not take place in a socialist economy of public ownership. The anarchical mode in which the law of value functions in

an economy of private ownership is, generally speaking, no longer the case in a socialist economy of public ownership. However, in a socialist economy, commodity production and exchange continues to retain the general characteristics of commodity production and exchange. Therefore, the common characteristics of the law of value are retained in a socialist economy, but of course, the social significance of these common characteristics differs from that in an economy of private ownership.

The essential nature of the socialist public ownership of the means of production objectively gives rise to the aim in social production of satisfying the material and cultural demands of society and its members. Under the condition of the socialist public ownership of the means of production, the movement of the law of value will finally also end in the realization of this aim of production. Conversely, since the socialist relations of production are a social mode in which there is commodity production and exchange, the aim of socialist production of satisfying the demands of society and its members cannot be realized without the function of the law of value (of course, the functions of other economic laws are also necessary). To be more concrete, the law of value functions in two aspects in promoting the realization of the aim of socialist production.

1. Through promoting the conservation of social labor time, the law of value facilitates the realization of the aim of socialist production. At any given time, the actual resources a society possesses are always finite. What we call resources can be summed up as nothing but human, financial and material resources. They can all be expressed in certain numbers of labor hours, so that conservation of the actual resources of a society is, after all, a conservation of social labor time. For a given period, the greater the degree of conservation in the utilization of social labor time, the greater the satisfaction of the demands of society and its members. In the process of commodity production and exchange, the conservation of social labor time is the result of the functioning of the law of value. The value of a commodity is not determined by the specific length of labor time which a laborer takes to produce it, but by the socially necessary labor time required to produce this kind of commodity. In an economy of private ownership, in order to pursue their own profits and to achieve a competitive edge for their products, all the commodity producers try every means to improve their methods of production, to reform their technology, to raise labor productivity, and thus to reduce their specific labor time in producing commodities. As a result, the law of value (i.e. the law that the socially necessary labor time determines the value of commodities) operates like an invisible whip and spurs commodity producers to conserve labor time. As expounded on above, in a socialist economy the demand for reducing socially necessary labor time originates from the aim of socialist production. In order to achieve a reduction in the socially necessary labor time, we must calculate and compare the specific labor time our various producers take in producing each of the same commodities with the socially necessary labor time for producing this commodity in order to urge the backward to catch up with the advanced and to urge the advanced to continue to make progress. This calculation and comparison is carried out throughout society. This means that on the one hand, society judges, through direct calculation and comparison beforehand, whether or not the labor time the various commodity producers (enterprises) take in

producing the same commodity is socially necessary and decides the corresponding distribution of labor time; and on the other hand, in the economic movement of society as a whole, an indirect social calculation and comparison will be carried out automatically and thus a concept objectively exists or is given rise to "the labor time necessary at a specific period to produce a certain kind of use value under the normal existing production conditions in the society with average labor skill and intensity of the society." (Footnote 1) (Marx: "Das Kapital," People's Publishing House, 1975 edition, vol 1, p 52) This kind of calculation and comparison is carried out in the process of commodity exchange and, through the comparison in the process of exchange, the idea of socially necessary labor time takes shape and the difference between specific labor time and socially necessary labor time is manifested. The specific labor time in excess of the socially necessary labor time means a waste of labor time for society and is therefore not acknowledged by society, while the extent to which the specific labor time is less than the socially necessary labor time means a reduction of labor time for society.

In a socialist economy economy, these two aspects of calculation and comparison cannot replace each other. The essential characteristic of a socialist economy is planned economy. The direct calculation and comparison by society beforehand is where the socialist economy of public ownership differs from and is superior to various kinds of commodity economy of private ownership. In a socialist economy of public ownership, it is objectively not only possible but also necessary for society to carry out direct calculation and comparison beforehand. Only by so doing can society distribute beforehand, in a planned manner among all the producers (enterprises and others), the total amount of labor time it plans to spend in producing a certain kind of product in order to achieve a reduction in socially necessary labor time. This distribution enables the producers who spend more than the socially necessary time in producing their products to reduce the disparity between their specific labor time and the socially necessary labor time. It also reduces the percentage of the total amount of labor time spent by these laborers in producing this kind of product. It urges the producers who spend less than the socially necessary labor time in their production to continue to reduce their specific labor time as much as possible and it also increases the percentage represented by the specific labor time spent by these producers in the total amount of labor time for producing this kind of product. As a result, it urges all the producers to improve their technology, to raise their labor productivity, to reduce their specific labor time, and thus to reduce the socially necessary labor time. The distribution of the total labor time for producing a certain kind of product in this way will facilitate the reduction of the original socially necessary labor time and will thus result in reducing social labor time in a society-wide manner and facilitate the attainment of the aim of even more fully satisfying the demands of society and its members. This will help us to avoid the waste caused by the anarchy in the production of the economy of private ownership. We know that in an economy of private ownership, this calculation is carried out through the fluctuations in the market behind the backs of the producers. In this economy, the various producers can know whether or not and to what extent their specific labor time is acknowledged by society only after their products have been produced and put on the market. When they know that their specific labor time is higher than the socially necessary labor time, their losses are already irretrievable.

This kind of direct calculation and comparison by society beforehand (at present, we cannot yet directly calculate the socially necessary time. Under these conditions, the socially necessary labor time is calculated through calculating labor productivity, various kinds of materials and goods, and production costs) is the major aspect, but this cannot replace the indirect calculation and comparison afterward in society, that is, the calculation and comparison carried out in the process of exchange of commodities in the market. The direct calculation and comparison beforehand and the distribution in accordance with this calculation and comparison among the various producers of the total amount of labor time to be spent in producing a certain kind of products should be tested for its appropriateness and corrected by the exchange of commodities in the market afterward. The specific labor time spent by various producers in producing those products can only be actually acknowledged (fully or partly) in the process of the realization of the value of the commodities. Production technology, labor skill and intensity, and labor productivity are constantly changing and so is the percentage constituted by the output of various producers in the total output of that kind of products. Therefore, socially necessary labor time is also constantly changing. This change will give rise to a prompt reaction in the exchange in the market. This reaction will promptly be fed back, not only to various producers but also to society, so that society will adopt corresponding policy decisions and actions to urge the further reduction of specific and social labor time.

2. By distributing social labor time in accordance with the proportion of social demand, the law of value promotes the realization of the aim of socialist production. The extent to which the various kinds of demand of society and its members are satisfied, in other words, the extent to which the goal of socialist production is achieved, is determined by whether the total amount of social labor time (embodied in actual resources) in the possession of society is distributed in the production of various kinds of demand, in other words, whether social labor time is distributed in accordance with proportional social demand. Only when it conforms to social demand can the social labor time allocated to the production of certain kind of use value become socially necessary labor time. (This is socially necessary labor time in another sense.) Marx said: "If the output of certain kinds of commodities exceeds social demand, this part of social labor time is wasted." (Footnote 2) (Ibid, vol 3, p 209) Of course, if the output of certain commodities falls short of social demand (embodied in the social demand through actual purchasing power) at the time, some of the social demand will not be satisfied, in other words, a part of social demand through actual purchasing power cannot be realized.

Therefore, Marx said, "The total amount of social labor consumed in producing all of this kind of product must conform to the amount of social demand for this kind of commodity, or, in other words, to the amount of social demand supported by actual purchasing power." (Footnote 3) (Ibid, vol 3, p 215) In a socialist economy, when the amount of social labor time is fixed, only when its distribution in the production of various kinds of products is in accordance with the proportions of social demand (social demand supported by actual purchasing power) is the optimum effect achieved in utilizing social labor time, and, therefore, are the demands of society and its members satisfied to the greatest extent.

In order to achieve this in a socialist economy, calculation and readjustment must be carried out. This calculation and readjustment is also carried out socially. This means that on the one hand, society conducts direct calculation and readjustment beforehand and allocates social labor time in a planned manner to the production of various kinds of use value in proportion to social demand; and on the other hand, after the commodities are produced, an indirect calculation and readjustment is carried out afterward through the exchange in the market in the scope of society. Neither of the two aspects of calculation and readjustment can replace each other. The necessity and possibility of direct calculation and readjustment by society beforehand originates from socialist public ownership. This is precisely the planned nature of the socialist economy. As long as this calculation and readjustment is roughly correct and appropriate, the allocation of social labor time in the production of various kinds of products can fundamentally conform to the proportions of social demand. The subsequent indirect calculation and readjustment by society is carried out in the process of exchange in the market. This can make up for where the previous calculation and readjustment falls short. The correctness and appropriateness of the prior calculation and readjustment should be checked and corrected by society. In this aspect, there are many causes (such as economic interests, the acquisition and transmission of information, a few factors of uncertainty, difficulties in computation and subjective errors) which will make the allocation of social labor time beforehand fail to conform with proportional social demand (this is shown in imbalances in the supply and demand of commodities).

Moreover, even if it conforms to social demand for a time, it will soon fail to conform later and when it conforms to demand in one aspect, it will fail to do so in another aspect. Whether or not it conforms with demands will promptly be reacted to in exchange in the market. If it fails to conform to demand, there will be a prompt feedback to the various producers and to society, which will adopt corresponding policy decisions and actions of correction in order to make the allocation of social labor time conform to proportional social demand.

The roles of the law of value in the above-mentioned two aspects of the achievement of the goal of socialist production interact with each other. In giving play to these two aspects of role, it is true that the subsequent indirect calculation, comparison, and readjustment through exchange in the market is the function of the law of value (and other economic laws), but the prior and direct calculation, comparison and readjustment should also be carried out in accordance with the function of the law of value (and other economic laws).

II

According to the above-mentioned function of the law of value in a socialist economy, we can say that this law is a great school. What, then, must we learn in this school?

In this school, we should learn economic analysis, careful calculation and strict budgeting, the skill to conserve social labor time, and the skill to raise economic results. The law of value demands that commodities be exchanged according to their value, i.e. according to the socially necessary labor time spent in producing them. It impartially and incorruptibly uses the yardstick of

socially necessary labor time to measure equally, without discrimination, the actual labor consumption of every producer (including the consumption of both materialized and animate labor). As a result, in order to create and provide greater profits for society and the collective, every producer must conduct careful calculation and strict budgeting and cost accounting, improve technology, raise labor productivity and lower costs. Therefore, just as Stalin said: thinking over the law of value can teach our economic workers to carry out production rationally, to accurately calculate various kinds of production data, to search for, discover and utilize the latent internal reserve force of production, to continuously improve production methods and reduce production costs, to conduct financial and cost accounting, and to enable their enterprises to earn profits. (Footnote 4) (Stalin: "Selected Works: Soviet Socialist Economic Problems," vol 2, pp585-586) We must admit that quite a few of our economic workers do not know how to analyze the financial status of their enterprises and are unable to find concrete ways to reduce costs. Some of our cadres are satisfied with merely keeping rough accounts and only want to know "rough figures" for various expenditures and income, but they do not want to do accurate calculation or to reduce expenditure and increase income through the accumulation of small amounts. There have also been malpractices such that, whether in the process of production or in capital construction, some of our economic workers failed to do economic calculation, made policy decisions at will, issued arbitrary orders and thus caused excessive waste. Establishing and perfecting in our various enterprises strict accounting systems in accordance with the requirements of the law of value, so as to enable our broad ranks of economic workers to learn the skills of economic calculation and analysis, to be careful about small amounts, and to raise our economic results has already become a task in our country's economic work.

2. We should learn the skills to use various kinds of economic levers in our administration and management in accordance with the requirements of the law of value. The existence of the law of value is displayed through the movements of the various kinds of economic levers and through these movements this law plays a role in conserving social labor time and allocating social labor time in proportion to social demand. These economic levers include currency, prices, costs, profits, interests, rent, taxation, funds, capital, credit, financial policies, purchasing power, wages, bonuses and so forth. The law of value is invisible and untouchable, but it does exist and plays its role as the internal essential and inevitable relationship in the movement of commodity production. We can ascertain its existence through the movements of the various kinds of economic levers (such as the fluctuation of prices around value and fluctuation of interest rates along with changes in the relation between supply of and demand for credit. Through these economic levers, this law tells people how they should behave, and how they should correct their actions in order to conserve social labor time and allocate social labor time in proportion to social demand and thus achieve the goal of socialist production for the satisfaction of the demands of society and its members. Therefore, it is very important for our economic workers to understand the nature and functions of and the relations between various kinds of economic levers, to know the economic significance and results of the movement of these economic levers, and to learn the skills to consciously apply these economic levers in conducting their administration and management in order to realize economic plans that conform to the requirements of objective economic

laws and to achieve the aim of conserving social labor time and allocating social labor in proportion of social demand so as to satisfy the demands of society and its members. In the past, quite a few of our economic workers did not understand that they had to apply the various kinds of economic levers to conduct their administration and management. They often relied entirely on issuing administrative orders in doing anything and did not understand that their administrative orders had also to conform to the requirements of the objective economic laws (including the law of value). If these orders run counter to the requirements of objective economic laws, they will not work. Even if they are carried out by force, we will finally be punished by these economic laws. During the people's commune movement, our practice of egalitarianism and of the free transference of labor and materials violated the law of exchange of equal value and thus seriously undermined our agricultural production. This was a practical example. As Comrade Mao Zedong pointed out: We should make our commune cadres understand the law of value and the exchange of equal value and "these are objective laws and principles. If we violate them, we will suffer great setbacks." At the same time, neither did these economic workers understand that even if our administrative orders conformed to the requirements of the objective law, in order to carry them out smoothly we had also to correctly apply various kinds of economic levers as assistance. For example, a directive or order from the responsible economic department to the enterprises under it that these enterprises must pay attention to the quality of products and must not produce their products in a rough and slipshod manner is naturally a correct one. However, if we do not apply the lever of pricing (fixing preferential prices for products of fine quality) in carrying out this directive, this directive will only be carried out for a short time and will soon be forgotten. In economic activities, the various kinds of economic levers differ in their functions. Some of them function in the same direction (for example, prices and profits), others function in opposite directions (for example, costs and profits), and still others are related to each other in a complicated manner. We should learn to combine all these economic levers in applying them, otherwise we will often fail to achieve the goal of conserving social labor time and allocating social labor time in proportion to social demand.

3. We should learn the skill of utilizing the market to develop and perfect our socialist economy. The market is the place here the law of value operates. Learning the law of value in this great school means, in a sense, learning in the market. That is to say that besides other aspects of study, we must also learn in the market many aspects of the ability to manage our socialist economy.

A) We should learn the skills to improve our commodity production by means of testing our products through the market. Exchange in the market is the medium linking production and consumption. For a commodity producer, his products must undergo the test of exchange in the market to see whether their value can be realized. The first test is to see whether this product has a certain use value suited in quantity and quality to the demands of the consumers (including production consumers and individual consumers). Only when the use value, which represents value in a material form, is realized can the labor spent by the producer in the production of this kind of commodity become socially necessary. Another test is aimed at seeing how much of the specific labor time spent in the production of this kind of commodity is socially necessary. The commodity has not yet passed this final test when it is sold. This final test is carried out when the commodity enters the stage of consumption through exchange. For

"use value can only be realized in the process of use or consumption." (Footnote 5) (Ibid, vol 1, p 48) and "only in the process of consumption can a product become a product in reality." (Footnote 6) (Marx: "Selected Works of Marx and Engels: Introduction to 'Critique of Political Economics,'" vol 2, p 94) If a piece of clothing is not suitable to wear, it cannot become a piece of clothing in reality even if it is sold. At the same time, if, in the process of consumption, a kind of commodity is proved to be unsuited to demand, it will not be capable of being realized through market exchange next time. Another possibility is that a kind of commodity is realized in a certain practice of exchange, but because of a change in demand, it is possible for it also to be incapable of being realized in the next exchange. Therefore, the test of the market on commodities is not completed once [and] for all, but is a continuous process. For a socialist economy, the test of the market is both necessary and important. We should learn the skill to utilize this function of the market to make our production meet the demand, to improve the quality of our products, to increase their variety, to speed up the substitution of new generations of products for old ones, and to lower labor consumption. In the past, we failed to learn the skill to do this. From the viewpoints of many enterprises, as soon as a product is produced, everything is completed. They think they are not concerned with the questions of whether these products are suitable to meet demand and whether their quality is good. As a result, these enterprises often turn out products that are unsuited to demand, are of poor quality, and are even rejects, and many of their products have never undergone any improvement or been replaced by newer generations of products for many years. The losses and waste caused by this has been amazingly great. In order to learn and master the skill of utilizing this function of the market to develop and perfect our socialist economy, we should learn and master the skill of winning over consumers by fine quality, low prices, and satisfactory service. Some areas are apprehensive of the test of the market and have tried to occupy a position for their own products by means of various kinds of protectionism and thus to increase their market shares. This method cannot urge their economic workers to learn and master the skill of utilizing the market to improve and develop their production and will finally bring harm to their departments and areas.

B) We should learn and master the skill of using the market to carry out an indirect subsequent readjustment of the planned allocation of social labor time among the various production sections. We have mentioned that for a socialist economy of public ownership, it is both possible and necessary to allocate, through direct calculation and readjustment beforehand, social labor time in proportion to social demand and that, at the same time, we should also carry out indirect readjustment afterwards in order to test and correct the direct and prior readjustment of society, to make up for where the prior readjustment has fallen short so as to enable our economy to develop in a proportional manner. Failure to meet demand and imbalance will often take place. This will be promptly reflected in exchange in the market. We must learn and understand the trends of movement of the market and readjust our plans and establish a new balance in a timely manner so as to avoid the losses and waste caused by the inappropriateness of our plans or by the dislocation between the plans and the reality because the actual conditions have changed and our plans have not been readjusted in time in the light of the change. In the past, great economic losses often took place because we negated the function of the market and failed to pay attention to the prior direct readjustment, and the

indirect and subsequent readjustment through the market in allocating social labor time by society is a new and difficult task for us. In order to realize this combination, we should make the various kinds of economic levers the ties that link socialist economic plans with the market. Our economic plans are implemented with the help of the economic levers and they enable the market to move in accordance with the direction and requirements of the plan. On the other hand, the movement of the market through the movement of the economic levers, tests the appropriateness of the plans and corrects the errors in these plans. It also promptly gives feedback to the departments that make economic decisions for the corresponding readjustment of the plans.

C) We should learn the skill to use the market to forecast economic developments. Correct economic plans and policy decisions must be based on accurate and prompt acquisition and processing of economic data. Economic data come from many fields and the market is one of the important sources. In the past, because we failed to pay attention to using the market to test our commodities and to readjust our economy, we also failed to pay attention to collecting and processing the economic data from our market and were not good at making forecasts on the basis of market information so as to formulate correct economic plans and make correct economic policy decisions. However, for an economic worker, the skill of collecting and processing economic data and making timely and accurate economic forecasts is a skill indispensable to him.

Of course, we should not fail to see that under certain conditions, the functioning of the market can also bring about some negative factors in our economic life. For our economic workers, while learning and mastering the skill of using the market to develop and perfect our socialist economy, they should also learn and master the skill of controlling the market and of fighting against negative things in order to prevent market activities from deviating from the socialist orbit.

Perhaps there are more skills that we must strive to learn in the great school of the law of value, but those listed above are the major ones.

III

I am now going to give a further exposition on the questions of in what ways our economic workers can learn the above-mentioned various skills in the great school of the law of value and of why many of our economic workers have failed for a long time to learn and master these kinds of skills.

Just as we have to go into water to practice swimming in order to learn how to swim, in order to learn the various kinds of skills in the great school of the law of value, we must also take part in the social practice of working in accordance with the requirements of the law of value. In the past, the reason many of our economic workers failed to acquire management and administration ability and the ability to work in accordance with the requirements of the law of value was that they failed to take part in social practice where the law of value functioned. In other words, in the past, there were not the kind of objective conditions that, on the one hand, forced them to work in accordance with the law of value and that, on the other hand, enabled them to work in accordance with these requirements.

A) Regarding learning careful calculation and strict budgeting and carrying out strict economic accounting in the past financial system of "departments undertaking all-round responsibility for income and expenditure," the use of funds without repayment made it unnecessary for our economic workers to practise careful calculation and strict budgeting, to have any concept of costs, or to make economic analyses. Nor was it necessary for them to improve, with great concentration, technology or to raise their labor productivity in order to reduce production costs and specific labor time spent in producing their products. Nor did we establish in the past a set of systems of economic interests in which all the economic units would have a sense of immediate concern that if the specific labor time they spent in producing their commodities exceeded the socially necessary labor time, they would cause losses to society as well as to themselves and that if the specific labor time they spent in producing their commodities was less than the socially necessary labor time, it would benefit society as well as themselves. "They lacked the sense of urgency and pressure, common to all commodity producers in market competition, that they would lag behind and be eliminated if they failed to operate cautiously and conscientiously and failed to carry out careful calculation and strict budgeting in their management. For them, economic accounting and analyses was not a skill that they could choose to learn, or not, at will, nor were economic results a matter that they could choose to be concerned with, or not, at will. In addition, in the past, because our economic activities were not organized in accordance with the requirements of socialized mass production and commodity production, our various economic units were not provided with the conditions for implementing a strict and all-round economic accounting system. For example, the shortages in the supply of raw materials and the "gaps" caused by these shortages. There existed delays in the delivery of materials and goods, failure to supply the varieties and sizes needed, a lack of guaranteed transport facilities and of a supply of bank credits to satisfy the needs for circulating funds and so forth. In these circumstances, the enterprises were often forced to store raw materials and finished products in excess of quotas and thus used more circulating funds. This was also the case in the employment of their labor force. They could not reduce their surplus staff or dismiss unsuitable staff and workers. All this made it difficult for our economic workers to carry out careful calculation and strict budgeting, to implement strict and all-round economic accounting, and to work in accordance with the law of value.

B) There were similar problems in learning how to apply the economic levers in our management and administration. There were problems of two aspects. On the one hand, because our economic activities were not organized in accordance with the requirements of socialized mass production and commodity production and exchange, the various kinds of economic levers related to the law of value often failed to play the roles as levers that they ought and are able to play in economic movement. Some of them even lost their original nature. For example, prices were originally the manifestation of the value of commodities in terms of money, and should reflect value like a mirror and make every commodity producer know how his own specific labor time falls short of the socially necessary labor time in order to urge him to make efforts to reduce his own specific labor time. At the same time, because of the constant change in the relations between supply and demand, prices will often deviate from value in various ways, and this kind of deviation will again direct each producer to adjust his production in order

to adjust the distributive proportion of social labor time, so as to be adapted to the proportion of social demand. However, in our system, prices seriously deviated from value and thus could not reflect changes in value. As a result, they almost became a tool of calculation which were only used to add together various values. If we say that they were still a mirror reflecting value, they were then merely a "distorting mirror." Fundamentally, they could not play the role of comparing the specific labor time of each producer with the socially necessary labor time in order to urge various producers to make efforts to reduce the consumption of their labor time. At the same time, prices also seriously deviated from the relation between supply and demand and thus lost to a relatively great extent their function in adjusting the relation between supply and demand and the proportional relationship in the allocation of social labor time. This is also the case with other economic levers. Just imagine; in such circumstance, how can our economic workers learn the skills of applying economic levers to conduct management and administration? On the other hand, our economic workers could also conduct management and administration without applying economic levers, because even if an economic lever could normally play the role which it has to play, there was no coordination with other economic levers and no necessary economic conditions, and this made it impossible to apply the economic lever to achieve the desired results. For example, if an economic contract is violated, we must impose a fine and payment of damages for the losses. This is originally useful in safeguarding the solemn nature of economic contracts. However, in the previous circumstance of "departments being responsible for all income and expenditure," this kind of penalty would not cause any direct losses to the unit or its staff who violated the economic contracts, because the losses were shifted onto society. Thus, those who were not willing to abide by contracts would do just the same in spite of the regulations and fines. Therefore, people regarded the application of economic levers in conducting management and administration as a trouble and thought that management by administrative orders was more straightforward.

C) Regarding learning how to utilize the market mechanism to develop and perfect our socialist economy, the condition was nearly the same. When the system of "state monopoly of purchase and marketing" was implemented in the past, it seemed that there was no problem related to realization or nonrealization of the value of products for each producer, because the departments of commerce, goods and materials would generally purchase the products even though they could not sell or distribute them. Of course, in fact, the products would finally undergo the examination of the consumers (as units or individuals) and, if the products did not satisfy the needs of the consumers, they would be stockpiled in warehouses. However, this kind of examination was not of much significance to the producers, who would not suffer any losses, even though the departments of commerce, goods, and materials could not sell or distribute their products. Under the system of "the state being responsible for all revenue and expenditure," these kinds of losses were not suffered by the departments of commerce, goods and materials, but were undertaken by society. In such circumstances, how could our economic workers learn to utilize the market mechanism to improve production? Together with the highly centralized direct planning system, these circumstances made it unnecessary and also impossible for various producers to readjust their production in accordance with the market situation of supply and demand and, thus, made it unnecessary and also impossible for our economic workers to learn the skill of using our market mechanism to readjust the distribution of social labor

time in order to meet always changing demands, let alone the skill of making economic forecasts.

In previous circumstances, quite a lot of our economic workers were not experienced in operating our market mechanism. Once negative phenomena emerged, people often did not apply economic levers to overcome them, but simply applied the means of administrative orders.

From the above-mentioned facts, we can see that the fundamental reason our economic workers cannot place themselves in the school of the law of value in order to learn the various economic skills lies in our previous economic system. In carrying out our economic structural reform, we should establish a system of economic interests and a system of economic levers, and create the kinds of economic conditions in which the law of value can play its role effectively and flexibly in our socialist planned economy. These systems and conditions will not only force our economic workers to handle affairs in accordance with the law of value, but will also enable them to acquire quite a lot of ability in economics. Only by so doing can the law of value really become a great school of practice. It is necessary to conduct further study and practice to probe into the questions of what kind of system this economic system should be and what systems of economic interests and relations and what system of economic levers should be established. However, I am of the opinion that we can acquire some clues in thinking from analyzing and studying the objective reasons, in the past, for why our economic workers could not plunge themselves into actual practice in order to learn the effect of the law of value and to acquire the ability of managerial and administrative knowhow.

In this article, I have talked about my superficial understanding of the greatly enlightening idea, put forth by Comrade Mao Zedong, that the law of value is a great school. Because I have only talked about this idea, I have not touched upon other economic laws. Naturally, this does not mean that our economic workers should not or cannot learn managerial and administrative knowhow from these economic laws. For the same reason, I have not specifically discussed under what conditions the functioning of the law of value brings about negative effects on our socialist planned economy. We do not mean that the law of value has any "wild nature" which is difficult to "overcome," but that we should create conditions which enable the law of value to play its role in the direction of developing and perfecting our socialist planned economy instead of in a diametrically opposite direction. Problems of this aspect cannot be touched on in this article.

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NATIONAL POLICY AND ISSUES

INTEGRAL NATURE OF ECONOMIC REFORM

HK261223 Beijing GUANGMING RIBAO in Chinese 15 Jan 84 p 3

[Article by Li Yining [0632 0110 1337]: "The Integral Nature of Reform and a New Subject of Economic Research"]

[Text] The national economy constitutes an integral whole and it consists of different sectors. In the reform of the economic system, we must pay attention to the integral nature of reform and the harmony and agreement of the reforms of the various sectors (such as the reform of pricing, wages, labor system, taxation, banks, foreign trade and enterprise management) on the premise of the overall reform. All this poses a series of new subjects to the present economic research.

The Relationship Between the General Objective of Reform and Its Subsidiary Objectives

What is the general objective of the reform of the economic system? Just as Comrade Hu Yaobang pointed out in his report to the 12th CPC National Congress: "We must correctly define the respective scope and limits of mandatory planning, guidance planning and regulation by market mechanism and, on the premise that basic stability of commodity prices is maintained, gradually reform the pricing system, price control measures, and the labor and wage systems and establish an economic management system suited to China's conditions so as to ensure the healthy growth of the national economy." This is the general objective of reform. In order to enable the reformed economic system to promote the healthy growth of the national economy, we must assume a system, namely, it can, on the basis of maintaining the stability of the macroeconomy, attain better economic results and lead to the further stability and growth of the macroeconomy by relying on the constant improvement of economic results. Otherwise, it will be an economic system not in keeping with the general objective of reform.

However, can the general objective of reform be equated entirely with the subsidiary objectives of the reform of various sectors? There is no doubt that subsidiary objectives should be in keeping with the general objective rather than impede the latter's reality. Then, can we say that subsidiary objectives are merely the miniature of a general objective? If so, how can the specific characteristics of various sectors and the emphasis of reform be reflected?

Can we believe that particular emphasis should be laid on the reform of the concrete and partial systems or more consideration should be given to the stability of the macroeconomy or to the enlivening of the microeconomy, and taking the reform as a whole, overall consideration should be given to not only the stability of the macroeconomy but also the enlivening of the microeconomy? If so, how can we ensure that there will be no conflict between the general objective and the subsidiary ones in reform work and proceed to gain the best possible results in the reform work as a whole? These are questions calling for further study.

The Necessity and Possibilities of Simultaneous Reform and the Steps for Its Institution

The national economy consists of various sectors and the reform of the economic system is composed of the reforms of various sectors. That the various economic sectors condition each other determines the interaction of the reforms of various sectors. If some sectors are reformed while others are left untouched, reform work will meet with difficulties and suffer setbacks. Therefore, the necessity of simultaneous reform has been widely recognized by economists. However, how should we understand simultaneous reform? Is there any way to conduct simultaneous reform? What are the minimum steps required to institute simultaneous reform? All this has yet to be further explored and studied.

Can simultaneous reform be understood as the reform of various sectors starting at the same time, carried out at the same rate, and completed at the same time?

It seems difficult to draw such a rather unrealistic conclusion. That every economic sector has its own peculiarity and the obstructions the reform of various sectors meets with are all not the same determines that the importance of reform of various sectors in the reform of the national economy as a whole varies from one to another economic sector. So, the simultaneous reform must not be viewed as "having a single solution for diverse problems." Consequently, any reform must make a breakthrough at some single sector and promote the reform of the other sectors with the reformed sector. The problem is how to establish the principle for making a breakthrough at some single sector and how to enable the reform of priority sectors to promote the reform of the other sectors. Every economic sector breaks down into several "secondary sectors." Therefore, not only the overall reform must make a breakthrough at some single sector but the reform of each sector must also take the reform of some single "secondary sector" as a breakthrough at its own sector. Then, can we say that only by doing so can simultaneous reform be attained?

If this understanding of simultaneous reform is tenable, simultaneous reform, taken as a whole, must have the following minimum steps: It is necessary to make a breakthrough at some single sector and to carry out the reform of this selected sector ahead of other sectors. It is necessary to ensure that the reform of every sector must make a corresponding breakthrough, that all sectors must coordinate with each other so as to follow the progress of overall reform, that the other "secondary sectors" of the specific sector must coordinate with each other so as to follow the progress of its reform; and that reform must

be conducted in an overall and harmonious manner. But is this understanding correct? Is this distinction of steps appropriate? Are there any overlapping parts in the various steps to a certain extent? All this also needs further study.

The Effective Use of Economic Regulatory Means

The rational economic system must naturally be an economic system that can effectively use economic regulatory means to administer economic affairs. Therefore, whether in the overall reform or in the reform of various sectors, the assertion to use economic regulatory means must be taken as one of the contents of reform. However, in regard to the integral nature of reform, there are still some problems which have yet to be studied further.

For example, every sector uses some economic regulatory means but the performance of various economic regulatory means is not all the same, with some economic regulatory means being a bit vigorous and others a bit mild. Some economic regulatory means can function at a quicker pace and others will take a longer time before they work to good purpose. Then, taken as a whole, how should we ensure that the economic regulatory means used by these sectors can coordinate with each other rather than counteract or weaken each other? Is there any need to set up an organ at the higher administrative level which is designated to use or coordinate these economic regulatory means under unified administration? If there is no such need, then can any other methods be worked out to harmonize the role of economic regulatory means?

Again, the use of any economic regulatory means is bound to bring some negative effects. The economic regulatory means which are conducive to stabilizing the macroeconomy are most likely to be harmful to arousing the enthusiasm of enterprises, and those which are conducive to arousing the enthusiasm of enterprises are also most likely to be harmful to the stability of the macroeconomy. As far as a concrete sector is concerned, if reform is conducted in a partial way, then in the course of reform, how should the national economy, which forms an integral whole, harmonize the role of various economic regulatory means?

Next, any economic regulatory means has its own limitations, and so the role of administrative and management measures must not be underestimated. In that way, under different circumstances, how should different administrative and management measures and economic regulatory means be combined? Their combination must help bring into better play the role of economic regulatory means instead of impeding the effective use of economic regulatory means. The views resulting from studying the role of economic regulatory means from the point of view of a concrete sector and from the national economic angle are not necessarily identical. As a unified integral whole, how should the national economy take the integration of economic regulatory means and administrative and management measures into account in the course of and after the reform?

The Internal Restrictive System in the National Economy

If the economic management system is divided roughly into two types--centralized and decentralized management, then we will notice that once there emerge

some errors or deviations in the economic operation, both the centralized and decentralized management systems will meet with difficulties in terms of readjustment. Under the centralized system, because decisionmaking power is highly centralized in the hands of the supreme authorities and priority is given to vertical economic relations, once errors or deviations crop up in the economic operation, no decision to correct them can be made before information is fed back to the supreme authorities. This process is most likely to bring greater losses to the economy. Under the decentralized system, because the decision-making power is decentralized, information is transmitted quite promptly, and response to information can be made more flexibly, the economic losses resulting from the above-mentioned centralized system can be avoided or minimized. But on the other hand, the decentralized system, characterized by the fact that priority is given to horizontal economic relations and decisionmaking power is decentralized level after level, will lack complete information about the overall situation and will not only lack the ability to regulate the errors and deviations of overall importance, but even fail to realize for a short time where the errors and deviations lie and proceed to cause greater damage to the national economy. This economic management system, characterized by centralized management and decentralized management, has given us a clearer picture of the fact that on the one hand, in system design terms, it is necessary to give consideration to the pros and cons and the advantages and disadvantages of centralized and decentralized management, and to select appropriate forms of the combination of centralization and decentralization, and at the same time, it is also necessary to design a feasible internal restrictive system in the national economy so that it can automatically readjust and restrict the economic operation. This internal restrictive system consists of the following five elements: 1) A scientific decisionmaking procedure; 2) programmed administrative and management measures; 3) economic regulatory means; 4) economic legislation and the economic supervisory system; and 5) a perfect information system. These five elements form an organic whole, which functions in a regular manner and in accordance with a certain procedure.

Of course, no internal restrictive system is omnipotent. However, the existence of a flexible internal restrictive system that can make timely readjustments will be of great help to our economic operation. Evidently there will be no controversy on this point. How should such a restrictive system be set up? How does it function concretely? All this deserves our thorough exploration and study.

The Link Between the State and the Enterprise

Every economic management system consists of at least two facets--the state and the enterprise--(suppose we leave aside the facet of the individual--workers and consumers). Does there then exist any intermediate facet between these two facets? If there does exist such an intermediate facet, how will it function? Is there only one facet or does the facet break down into several other facets? Apparently this is decided by such conditions as the development of productive forces, the uneven development of domestic economy, the supply and demand of natural resources and the level of economic management. Judging from the integral nature of reform, even if there does exist an intermediate facet or even more than one, they must be the representatives of the state rather than

operational bodies: On behalf of the state, they are either put in charge of some enterprises or entrusted to take responsibility in coordinating the activities between different enterprises and engage in the organizational work of collecting and distributing products and link up information. However, we are entitled in any case to consider the intermediate facet as a link between the state and the enterprise, which acts as an operational body.

If this understanding is tenable, then we will be confronted with the following questions: How will the reform of the intermediate facet and that of the national economy as a whole coordinate? How will the reform of the intermediate facet and that of the enterprise, which acts as an operational body, coordinate? How will the reform of the three be conducted simultaneously? To what extent and to what limit can the intermediate facet use economic regulatory means or administrative and management measures?

Evidently, the integral nature of reform is a research subject which covers a lot of ground. Economists are encouraged to bring into full play their intelligence and wisdom in these fields of research and do their share for economic reform work.

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NATIONAL POLICY AND ISSUES

NATIONAL SUPPLY BUREAUS MEETING HELD IN WUXI

OW230201 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 20 Jan 84

[Text] At the 1984 national meeting of heads of supply bureaus which closed today, Comrade Song Ping, state councillor and minister of the state planning commission, delivered a speech. He called on all supply departments at all levels to give full support to technical innovation and transformation in all sectors of the national economy, strike a balance in the supply of important materials, and supply more materials to ensure the completion of key construction projects. He said: All supply departments must do a good job in carrying out party rectification; overcome the tendency of seeking private gains by using one's power; improve their management and services; vigorously train more competent people; and make full use of computers in order to quicken the pace of modernizing their management.

The national meeting of heads of supply bureaus was held in Wuxi from 9 to 20 January. More than 130 people attended the meeting including the directors of supply bureaus of various provinces, municipalities and autonomous regions; heads of material supply departments of various ministries, commissions and bureaus under the State Council; responsible comrades in charge of the supply departments in some cities and in the military industry; as well as representatives of some scientific research departments.

The meeting urged all supply departments to implement the guidelines for making full use of all supplies to ensure the completion of key construction projects while fully developing the national economy. The meeting pointed out: Priority must be given to ensuring supplies for those units in the fields of energy, communications and light industry. Various supply departments at the central and local levels must closely coordinate with one another to ensure continuous supplies of necessary materials for the development of major state construction projects as well as other major local construction projects.

When the meeting was in session, Governor Gu Xiulian and Vice Governor Chen Huanyou of Jiangsu called on the deputies attending the meeting and delivered speeches at the meeting.

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NATIONAL POLICY AND ISSUES

STATE COUNCIL PROMULGATES URBAN PLANNING STATUTE

OW221300 Beijing XINHUA Domestic Service in Chinese 0212 GMT 21 Jan 84

[Text] Beijing, 21 Jan (XINHUA)--Recently the State Council promulgated a "Statute on Urban Planning" with the demand that it be seriously implemented in all parts of the country.

This is our country's first statute for urban planning, construction, and administration since the founding of the People's Republic. The promulgation of this statute is of vital significance to the development of urban areas in our country.

The statute contains explicit provisions on the tasks, principle and policy on China's urban planning. It also has clear provisions on the formulation, examination, and approval of urban plans, on the reconstruction of old urban areas, and on the management of land-utilization and construction plans.

According to the requirements of the statute, in drawing up urban plans, it is necessary to proceed from the actual situation and to properly handle the relationships between urban and rural areas, production and everyday life, local and overall interests, short- and long-term needs, requirements in ordinary times and in wartime, economic construction and construction for national defense, needs and possibilities. In addition, it is necessary to give overall consideration and make all-round arrangements by taking account of the public security needs and the factors of earthquakes, floods and other natural disasters.

The statute requires all localities to make reasonable and scientific planning for land to be used for various construction projects, to earnestly protect and improve the ecosystem in urban areas, to seriously preserve cultural relics and places of historical interests and to keep and carry forward the characteristics styles of the nation and the salient features of their respective localities.

The statute demands that urban planning and construction be put under collective leadership and unified management, and that mayors, county heads and town heads lead the work of formulating and implementing the urban plans.

As stipulated in the statute, a general urban plan, once approved, must be strictly carried out, and no organization or individual is allowed to change it without authorization. Land in the area covered by the plan should be managed in a unified and planned way by the department in charge of urban planning according to the plan approved by the state. All construction projects in the area should be put under the unified and planned management by the department in charge of urban planning.

The statute also sets forth concrete penalties for use of land and construction projects in urban areas in violation of relevant provisions.

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NATIONAL POLICY AND ISSUES

BRIEFS

URBAN PLANNING REGULATIONS-- The State Council recently promulgated its urban planning regulations and urged all localities and departments to abide by them. According to the regulations, our country's urban planning should include the planning of cities and towns; rationally determining a city's make-up, size and layout; and, by taking all factors into consideration, planning the rational utilization of urban land and planning a city's economic, cultural and public facilities to ensure its orderly and harmonious development. According to the regulations, leadership and administration of urban construction must be centralized, a city's general plan must be strictly followed after it has been approved, and no organizations or individuals are allowed to change it without authorization. To reverse the present disorderly situation in our country's urban construction, the State Council clearly stated in its urban planning regulations that all organizations and individuals must submit their applications to the authorities in charge of urban planning for the land needed for all types of projects to be built within the areas designated for planned development. [Text] [0W150441 Beijing Domestic Service in Mandarin 1200 GMT 11 Jan 84]

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ECONOMIC MANAGEMENT

CHINESE STYLE OF MANAGEMENT MODERNIZATION

HK020830 Beijing JINGJI GUANLI in Chinese No 11, 5 Nov 83 pp 2-5

[Article by Wu Jiawei [3527 1367 1014]: "Modernization of Management Must be a Chinese Style—Studying 'Selected Works of Deng Xiaoping' on Questions of Management"]

[Text] Comrade Deng Xiaoping has called on us "to construct socialism with Chinese characteristics." ("Selected Works of Deng Xiaoping" p 372) Hence, when we implement the modernization of management in our socialist modernization, we must also ensure that it is of a Chinese style and nature and we should not simply duplicate and copy Western countries or other methods.

Comrade Deng Xiaoping placed great emphasis on the question of management. He believes that "enterprise management is a major issue, and it must be handled properly." (Ibid, p 30) He brought science and technology together with production management is a science, and this is applicable in any society and in any country." (Ibid, p 310) He called on us to "study advanced science, and advanced management so as to serve socialism." (Ibid, p 310) He asked cadres to study through practice, to study from books, and to study through their own personal experiences and lessons. Only if cadres study management well and study science and technology well "can they successfully lead modernization at a rapid pace and high-level." (Ibid, p 143) In 1978, at the opening of the Ninth National Trade Union Congress, Comrade Deng Xiaoping called on the Chinese working class to work hard to grasp management modernization knowledge. In his call, he said "the working class must make great efforts to grasp technological and management modernization knowledge and make great contributions for the four modernizations. (Ibid, p 126)

Implications of Management Modernization with Chinese Characteristics

What is meant by modern management? People still vary a great deal in their understanding of it. At present, one point of view holds that one may only understand the content of management in terms of the methods and means of management. This view holds that management modernization means to use modern mathematical methods, electronic calculators, telecommunications technology, and so on in management. It is true that making management methods more scientific (including the use of advanced management equipment and installations) is an important and irreplaceable part of modern management. However, in order to achieve management modernization it is even more important to pay attention

to reforms to the management system and to the training of management personnel. Without a rational and perfected management set-up with a simple and highly efficient management body, and a healthy and active management system, and without revolutionary and expert management personnel who are good at their jobs and capable, we will not be able to put to good use the advanced management methods and management means. Comrade Deng Xiaoping put together management methods and management systems. On the one hand, he said that we must "study foreign advanced management methods" and, on the other hand, he stressed that "in terms of management systems, we must at present pay special attention to strengthening the responsibility system." (Ibid, p 140)

What is meant by management modernization? What levels and standards should scientific management methods, advanced management means, highly efficient management systems, and specialized management personnel reach before modernization is attained? This question mainly depends on advanced modern international standards. Comrade Deng Xiaoping said that one of the requirements of carrying out specialist modernization "is to catch up with the capitalist countries in economic terms." (Ibid, p 282) When we assess the situation on the basis of this requirement, we see that as far as management modernization is concerned, we must catch up with the advanced capitalist countries. In concrete terms this means that the level of efficiency of the management system, the standard of knowledge of management personnel, and the extent to which management methods and means are scientific must all come up to the advanced standards of Western countries. This requires a long period of struggle and hard work to change the backward condition of our present management in order [to] reduce and eliminate as much as possible the existing gaps. Comrade Deng Xiaoping was right when he said "we must come to understand and recognize backwardness before we can change it. We must study the advanced before we can catch up with it." (Ibid, p 88) Management modernization is like the modernization of economic construction, for it too begs the question of whether it should have Chinese characteristics or not. The modern management for which we are struggling is in no way some foreign model of modern management; it is modern management with Chinese characteristics. In order to achieve this Chinese style of modern management, we cannot simply copy foreign management wholesale, rather we must start out from China's traditional management and basic management, studying and borrowing from overseas management experiences and integrating characteristics and traits of China itself and, on the basis of assessing the practice of Chinese management, choose a road for management modernization suited to the situation in China. This task requires us to pass on and develop the outstanding features of Chinese traditional management and, at the same time, to incorporate advanced overseas management methods and systems and, by relying on China's long history of management practice, arrive at a scientific and advanced set of socialist management methods.

Why Should Modern Management be Characteristically Chinese?

First of all, this is one of the requirements of constructing socialism with Chinese characteristics. China's new democratic revolution had its own characteristics and under the leadership of the CPC it took the road of the rural areas encircling the towns and the armed seizure of political power. China's socialist construction also must have its special traits. It is taking

a new road, unlike models in any other countries, with speed and good results, and the people are able to achieve even more and better material needs. At the beginning of the 1980's, Comrade Deng Xiaoping said "that in the next 20 years we must achieve a Chinese style of four modernizations." (Ibid, p 205) and thus, naturally we must also achieve a Chinese style of management modernization. "The four modernizations, in essence, is economic construction." (Ibid, p 204) Management serves economic construction, with economic management being an important part of economic construction. It is unthinkable that there should be a Chinese style of socialist economic modernization without a Chinese style of management modernization. Management is like economic modernization--attention must be paid to absorbing overseas experiences, but wholesale borrowing from overseas will undoubtedly lead to failure.

Second, this is determined by the dual nature of management. As everyone knows, management has two major attributes, namely its natural attributes and its social attributes. The natural attributes of management are the management production demands on the organization of common labor, linked to socialized production and the productive forces. The social attributes of management are the mutual relations between class, social groups, and workers manifested by management and linked to the social system and the production relations. Marx said: "As far as the content of capitalist management is concerned, it is of two types because the production process which it manages it also of a dual nature. On the one hand, there is the social labor process manufacturing products and, on the other hand, there is the capitalist process of value propagation." ("Collected Works of Marx and Engels," vol 23, pp 368-369) Socialist management is also of a dual nature. The social attributes of socialist management is by necessity different from capitalist management and, while as far as its natural attributes are concerned it shares many common features with capitalist management, the fact that the social attributes and the natural attributes are intimate and indivisible means that there are inevitably many differences. Lenin pointed out: "The question of how socialism will be achieved depends on how successfully we integrate our Soviet political power and our Soviet management organs with the latest and most advanced bourgeois things." ("Selected Works of Lenin," vol 3, p 511) Because China's socialist construction is being carried out under different international and domestic circumstances than in other socialist countries, China's modernization of management will not only be different from advanced capitalist countries, it will also have characteristics which differentiate it from other socialist countries.

Third, it is a requirement for maintaining and developing the superiority and advantages of China's management. Not all overseas management is good and, while China is backward in terms of management, it does not mean that all aspects of its management are bad. For example, when Japan was developing its own management system and methods and when it was studying American style of management, it also took care to absorb some of the outstanding features of Chinese management, such as teaching the workers to "love the factory like home," thus linking the workers to the future and the destiny of the enterprise so as to mobilize the workers' enthusiasm. While some aspects of overseas management are advanced, they are not all necessarily good. For example, in American management, high wages are used as a means to snare specialized

talent and thus all enterprises undermine each other. Such a situation is not good for the stable development of an enterprise or the accumulation of knowledge in management. In management we must maintain and develop our outstanding features and we must study and learn from all useful and good aspects of other countries, avoiding and stopping their drawbacks and shortcomings. In order to do this, we must follow our own road with Chinese characteristics.

Finally, it is a requirement for us to probe and take our own road in management. The development of management in every country follows a different road. The development of management in capitalist countries is spontaneous. It has developed for 200 years since the emergence of "traditional management" after the English industrial revolution, the American Taylor System (which Lenin called the "'scientific' system of wringing out the blood and sweat"), and present "modern management" which arose after the Second World War. The characteristics of this developmental road are: 1) An emphasis on microscopic management; 2) an emphasis on material management; and 3) prominence given to management method technology. The development of management in a socialist country should be planned. At the same time as emphasizing microscopic management, material management, and management method technology, it is more important to stress macroscopic management, human management, and the management setup and system. Planned management always has been the center and emphasis of all management work in China. Our principle is large planning, small freedom, large concentration, and little decentralization, with emphasis on the planned economy with market adjustments as auxiliary. Although China's management practice cannot boast a long history, it already has rich experiences and lessons. As far as developing management is concerned, we are at present searching for a road suited to China's reality, which can yield high results and has great applicability. If we want to take this kind of road, we inevitably must place the question of the Chinese nature of management at the forefront of the process of achieving management modernization.

How Can We Ensure a Chinese Character in Modern Management?

First, all reforms to management systems and the establishment of all management systems must start from the question of the Chinese character of management, and must be suited to China's reality.

Comrade Deng Xiaoping said: "The Chinese style of modernization must start out from China's characteristics." ("Selected Works of Deng Xiaoping," p 150) This principle is equally applicable to the Chinese style of modern management. China's characteristics manifest themselves primarily in the fact that it is a large and backward socialist country. It has a solid foundation and a large population, made up mainly of peasants, while cultural and educational standards are low. This general situation cannot be easily changed, and as far as management is concerned, it is a factor which often makes itself felt. However, we have established a socialist system which is being perfected day by day. "It will absorb all the advanced elements and factors that it can from every country in the world, so as to become the best system in the world." (Ibid, p 297) The nature of a social system determines the nature of management. The Chinese style of modern management must primarily be management of a socialist nature and second, it should also correspond to the backward and

extremely unbalanced levels of development of the productive forces. One question which we must pay attention to and solve is how to integrate the universal principles of scientific management with China's concrete practice and, particular, constantly improve the management foundation and standards.

The main characteristic of modern management is high efficiency. Efficiency in capitalist management is higher than in any other form of management in society and in fact it is much higher. Socialist management could be even more efficient than capitalist management, but in order to achieve this we must undergo a long period of struggle and hard work. We must seek truth from facts and start out from the existing management foundation that we have, greatly strengthening and reorganizing it, actively improving traditional management while at the same time "changing the style of management of industrial and agricultural enterprises and the style in which the state manages industrial and agricultural enterprises so that it corresponds with the requirements of economic modernization." (Ibid, pp 125-126) These changes must be carried out on the basis of China's concrete conditions and the demands of the people and they must help clarify responsibility, differentiate workers' rights, and implement material benefits, establishing a complete and strong system of management which, to the greatest extent, can mobilize the enthusiasm of the central authorities, the regions, departments, enterprises and the workers. Reforms to the system of economic management represent an important guarantee for upholding the socialist road and concentrating our efforts in carrying out modernization.

During reform we must pay attention to the diversification of management styles so that they may permit a long period of mutual existence and common development between the various forms of management. It is because China's productive forces are in general of a very low level and develop in an unbalanced way that this multilevel structure has been determined if we ignore the diversification of management styles then it will imply that we are departing from China's special characteristics.

Second, the application of modern management methods and means must be integrated with the concrete conditions in China and must take results into account.

Many modern management methods such as operations research, systems sciences, forecasting, mathematical statistics, mathematical planning, and so on, as well as management modernization means such as electronic calculations, television, telecommunications equipment, and so on are all products of scientific and technological development and in themselves they have no class nature, and they may be used by capitalist countries and socialist countries alike. However, when they are being used, we should not depart from the conditions of reality, in particular the conditions immediately surrounding such things. We should not depart from the standards of the cadres and in particular the qualities and abilities of the management personnel who use these methods and means. When results are ignored, when the levels of utilization rates disregarded, when "foreign" things are sought constantly, when investments from the state are sought for machinery which, when it arrives, sits idle, then a great deal of wastage and damage is created for the society. Some management means and methods of economically advanced countries such as work attendance checks for workers may be advanced, but they are not suited to conditions in China and thus do not need to be imported. All management methods should be implemented under specific ideological or theoretical guidance.

Special attention should be paid to the fact that China's management structure is pluralistic, with advanced, medium and backward management. This situation may continue to exist for a long time. With overall management standards constantly improving, there will still be large disparities between management levels within various regions, departments and individual enterprises. Thus, we must develop suitable, viable and relatively advanced, but not necessarily the most advanced, management methods and this will help us move forward toward management modernization.

Third, we must train large numbers of high quality and specialized management cadres.

Comrade Deng Xiaoping said: "One serious question facing our country at present is not the accuracy of the line and principles for the four modernizations, it is the lack of a large amount of talent that may implement this line and these principles." (Ibid, p 193) Naturally, the talent he spoke of includes all levels of management talent required to achieve management modernization, talent for macroscopic economic management, and talent for enterprise management. Among the cadres in the various levels of leadership in China, very few understand scientific management; in all, they represent perhaps only one-third of the total, or less. Management in China must rely on the strength of the Chinese people themselves. One of the pressing tasks to improve the standard of management in China is to train a large number of revolutionary, young, knowledgeable, and specialized management personnel. This is also an important strategic measure for probing the road for the Chinese style of management modernization. Training of management personnel should involve investigative tours abroad, work study, and full-time study. In this way, the management knowledge of those learning will be constantly renewed, management technology will be constantly enriched. This will thus lay the foundation for a modern management system with Chinese characteristics.

Fourth, constantly study all foreign management experiences which are of use to us and constantly and firmly stop the effect of erroneous theories and the corrosion of degenerate ideologies.

The management methods developed out of the production struggle and economic activities of the people of all countries and all the positive management knowledge accumulated must be inherited and studied by us. Modernization of management develops in line with the demands of modernized large-scale production and if we want to organize socialized large-scale production and develop the productive forces, then we must study and grasp modern management, for this will also consolidate and develop the socialist system itself. However, if we want to develop a Chinese management modernization with Chinese characteristics, then we must at the same time "criticize and oppose the corruptive ideologies of the capitalist class which harm the interests of the people and "look toward money; and we must criticize and oppose anarchy and individualism." (Ibid, p 328) We must remain alert and expose corruptive and degenerate ideas which permeate the management methods of advanced capitalist countries such as "money above all else" and "egoism." We must expose the nature of the rule and exploitation of capital over work which is reflected within capitalist management theory. We must learn from Lenin and dialectically ex-

amine all advanced things in capitalism, clarifying its two sides. "On the one hand, the capitalist class represents the most ingenious and horrific means of exploitation; on the other hand, it represents a wealth of scientific results." ("Selected Works of Lenin," vol 3, p 511)

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ECONOMIC MANAGEMENT

CONTROL ENTERPRISE UPDATING, TRANSFORMING FUNDS

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[Article by Li Guangan [0448 1369 1344]: "Strengthen Planned Management of Investment in Updating and Transforming Enterprises"]

[Text] For quite some time, the outstanding accounts in the updating and transforming of fixed assets in China have been relatively high in number. In addition to an unduly low depreciation rate, misuse of depreciation funds or funds earmarked for updating and transforming enterprises constitutes the main reason for this state of affairs. A considerable part of the funds earmarked for updating and transforming enterprises has been diverted to expanding capital construction by extension and the updating and transforming of enterprises has turned into the second battlefield of capital construction. In the last few years, a quite significant improvement has been achieved in the misuse of investment funds for updating and transforming enterprises but no fundamental turn for the better has been brought about in this respect. In 1980, the depreciation funds allotted by the state through the Construction Bank which were used in capital construction projects using self-raised funds constituted approximately 62 percent. Of the total investment in updating and transforming enterprises using investments of at least 50,000 yuan, the amount used in new or extension construction projects was 48.7 percent in 1981 and still about 40 percent in 1982. This problem is even more pronounced in some localities, departments and enterprises. In addition, the phenomena where depreciation funds are arbitrarily used for other purposes can be seen everywhere. For example, depreciation funds are used in either filling the gaps in circulating funds, various apportionments and requisitions, or in paying for the expenditures of carrying out the activities of "enterprises running society." In this way, depreciation funds have failed to play the role of a special fund.

In order to shift the production of existing enterprises onto the foundation of advanced technology in a planned, selective, and steady way, it is admittedly necessary to gradually raise the depreciation rate, in accordance with the financial capabilities of the state, so that the enterprises have the necessary funds to update and transform themselves, but the most urgent thing at the moment is to strengthen the management of the use of investment funds in updating and transforming enterprises so that these limited funds can really be used in promoting the technological progress of enterprises. Strict precautions must be taken against the use of funds earmarked for updating and transforming enter-

prises in carrying out capital construction or in expanding the processing capacity for goods whose supply exceeds demand. For this purpose, it is necessary to implement the principle of overall balance, overall consideration and all-round arrangement, and multitiered management, and to strengthen planned management.

1. Work Out a General Plan for Updating and Transforming Enterprises

At present, the proportion directly arranged by the central authorities in the investment in updating and transforming enterprises is insignificant and most investment in this respect is arranged independently by various localities, departments and enterprises. The investment directly arranged by the state in updating and transforming key enterprises between 1979 and 1982 made up 20 percent of the total investment in this regard for the same period. If we fail to draw up proper plans, the use of more than 80 percent of investment funds in updating and transforming enterprises will be out of control. This will be detrimental not only to harmonious economic development but also to the attainment of better returns on investment. Therefore, in strengthening the planned management of investment in updating and transforming enterprises, first and foremost, it is necessary to work out a general plan for updating and transforming enterprises, including the plans for various trades and localities, necessary to conduct a detailed survey of the present conditions of enterprises and to formulate, on this basis, the plans for technically transforming medium- and large-sized enterprises, especially key enterprises, and also necessary to incorporate these plans in the state's plan for investment in updating and transforming enterprises in light of the needs of the overall situation and in order of importance and urgency. Only in this way can overlapping construction and blind expansion in production capacity be avoided and can the projects to be updated and transformed be carried out in a balanced and congruous way. Efforts should be made to closely integrate the importation of foreign technology designated for transforming existing enterprises with the general technical transformation plan so that the imported technology can meet the requirements of technical and equipment policies of various trades, and efforts should also be made to import foreign technology in an accurate, steady and selective way so that the imported technology can be turned into a productive force as quickly as possible and produce required results. Updating and transforming enterprises must also be combined with the planned readjustment of economic structure and the reorganization and combination of enterprises. This is because the rational readjustment of the organizational structure of enterprises can create conditions for updating and transforming enterprises and point out the orientation in this connection, and the updating and transformation of enterprises can in turn help the rational organizational structure of enterprises to play a greater role. Therefore, in drawing up any plan for updating and transforming enterprises, attention must be paid to the following two things in accordance with the characteristics of specific trades and localities: one is that enterprises whose consumption is too high, whose products are of poor quality and in excessive stock, whose supply of energy and raw and semifinished materials and of transport facilities is not ensured, or which have incurred losses over the years or are not worth being technically transformed must be unhesitatingly closed down, suspended, amalgamated, or switched over to other types of production rather than being updated and transformed. The other is that under the

guidance of the plans for updating and transforming the enterprises of the same trade, it is necessary to organize national or regional companies, to develop economic combinations in accordance with the principle of specialization and coordination in production, and to arrange the projects to be updated and transformed within the integrated complexes in an overall manner.

2. Endeavor to Achieve an Overall Balance in the Investment in Updating and Transforming Enterprises

Now the state allots more than 20 billion yuan a year to be used as investment funds in updating and transforming enterprises. This sum constitutes an important component part of the investment in fixed assets. To do a good job in overall balance, priority should be given to the achievement of a balance between funds and materials. The general plan for updating and transforming enterprises must be in keeping with the amount of depreciation funds provided by society and that of the accumulation funds that can be used as the investment in updating and transforming enterprises. In the annual plan, the overall magnitude of investment in updating and transforming enterprises should be brought under strict control. Efforts should be made to strike a balance between the investment in updating and transforming enterprises and the equipment and materials provided by society which can be used in updating and transforming enterprises. The 20-odd billion yuan of investment in updating and transforming enterprises needs large amounts of steel products, timber, cement, and equipment and installments. If this sum of investment is not incorporated into the unified state plan and if no balance in the supply of materials is realized in relation to the investment, the result will be that either the investment in updating and transforming enterprises cannot be realized or it will impede the planning of material supplies. This is detrimental to economic stability. Many units were forced in the past to treat the projects to be updated and transformed as part of capital construction because enterprise updating and transformation was considered insignificant and the supply of the three major kinds of building materials and equipment was not ensured. In the future, the materials and equipment needed by the key projects to be updated and transformed should be ensured in the same manner as that in which key development projects are handled. With regard to key investment projects to be updated and transformed, a good job should be done in working out programming designs and in carrying out technical and economic deliberations in accordance with the principles of "unified leadership and multitiered management." The other projects to be updated and transformed, using different amounts of investment funds, should have necessary blueprints and the plans for their implementation, and these projects should be brought into line with the state plan in a gradual and orderly manner after an overall balance is already achieved in financial and material resources.

It is necessary to coordinate capital construction and enterprise updating and transformation under overall planning in accordance with the needs of development of the national economy. In defining any additional production capacity in the future, first consideration should be given to whether or not it can be achieved by means of updating and transforming existing enterprises. Only when it cannot be achieved that way or its results are not so economical and rational as those of carrying out capital construction can the construction of new or

extension construction projects be undertaken. Generally speaking, compared with new or extension production projects, the projects to be updated and transformed, if rationally chosen, require less investment and a shorter construction period but promise better results. In 1980, financed by a loan of 3 million yuan or more, the Tianjin bicycle plant carried out eight large-sized transformation projects and more than 200 small transformation projects and, as a result, the plant increased its production capacity by 250,000 bicycles. To build a bicycle plant with an annual production capacity of 250,000 bicycles requires an investment of 20 to 30 million yuan. Therefore, projects which can meet the requirements of developing the economy through updating and transformation, especially general purpose projects in processing industries, should be carried out in accordance with the principle of taking technical transformation first and the construction of new or extension construction projects second.

Equal consideration should be given to enterprise updating and transformation and present production. Some projects to be updated and transformed are relatively small in scope but the production tasks of the enterprise are relatively pressing. To fulfill the production tasks, more often than not, the enterprise has to squeeze its updating and transformation tasks. In future, with regard to the enterprises with pressing production tasks, it is necessary to properly reduce their production tasks and related working procedures so that they can have time enough to update and transform themselves. As for the enterprises with insufficient production tasks at present, but whose products are needed by society from a long-term point of view, close attention must be paid to utilizing this readjustment opportunity to make proper arrangements for their updating and transformation. To ensure that enterprise updating and transformation will proceed hand in hand with production, it is necessary to expand the decision-making power of enterprises in the investment in enterprise updating and transformation so as to help enliven enterprise updating and transformation by combining the enterprises' regular repairs or overhauls with their updating and transformation.

3. Control and Use the Investment Made Directly by the State in Updating and Transforming Enterprises in a Satisfactory Way

It is necessary to use, in selected units, the investment funds concentrated by the state in updating and transforming enterprises in the following areas, as we have concentrated our financial and material resources on key development projects: The first thing is to use the funds in the backbone enterprises which have an important bearing on the overall situation of the national economy; the second is to use them in the key enterprises which produce primary components and parts; and the third is to use them in the projects which bring no profits or meagre profits to enterprises but which are of vital importance to society, such as projects for controlling the "three wastes." The updating and transformation of ordinary enterprises should be carried out as far as possible by using the funds raised by enterprises independently, with the emphasis on raising quality and reducing consumption. This can quicken the pace of updating and transforming enterprises on the one hand and control and prevent enterprises from using their officially-owned funds in carrying out capital construction projects on the other.

4. Draw a Demarcation Line Between Capital Construction and Enterprise Updating and Transformation

In order to further strengthen the planned management of investment in updating and transforming fixed assets, to ensure the correct use of various funds, to do a good job in technically transforming key state construction projects and existing enterprises, and especially to ensure the effective use of the funds earmarked for enterprise updating and transformation and prevent the funds from being used in undertaking new or extension construction projects under the pretext of updating and transforming enterprises, the State Planning and Economic Commissions and the State Statistical Bureau have transmitted to lower levels the provisional regulations on the distinction between measures to update and transform enterprises and capital construction. These regulations have clear procedures for examining and approving the projects to be included in the plans for updating and transforming enterprise and those for carrying out capital construction projects. It is now highly necessary to earnestly sort out the updating and transformation projects under construction in accordance with the standards of this definition, to deal with each project on its own merits, to suspend those which should be suspended, and to seriously sort out and properly handle the projects carried out in a redundant, blind and unplanned way which do not accord with the demands of the overall situation.

5. Improve the System of Planned Management

In working out a plan for enterprise updating and transformation and making proper arrangements for the investment in updating and transforming enterprises, it is necessary to give priority to the development plans of science and technology. On this basis, efforts should be made to formulate correct policies on technology and equipment with which we define the plan for updating and transforming enterprises. At the same time, efforts should also be made to develop the educational cause, including the training of staff and workers in line with the implementation of the policies. All this requires setting up a planning system which integrates the scientific and technical, economic and social development plans and long- and medium-term plans. It is necessary to improve the system of assessing the fulfillment of production targets by enterprises, to lay stress on the role of the targets in assessing economic results, and to avoid blindly concentrating on output value to the neglect of economic results.

6. Adopt Proper Economic Policies to Promote Enterprise Updating and Transformation

At present, some imperfect economic policies have dampened the enterprises' enthusiasm for carrying out enterprise updating and transformation. For example, to meet the needs of foreign markets for broad-range cloth instead of narrow-range one, textile mills must carry out technical transformation correspondingly. However, the quantitative targets for assessing products are still reckoned according to the length of cloth, and product prices are also irrational. All this bring no benefit to enterprises and is thus detrimental to technical transformation. Again the disparity between prices for top-quality products with renowned brand names and products of ordinary quality is insignificant; high-quality products are priced equally with those of ordinary quality; and the

prices for products with backward technical properties and outdated designs and varieties are not promptly reduced. All this is also harmful to technological progress. Further efforts should be made to implement the policy of fixing the prices of industrial products according to their quality and to make full use of economic levels so as to promote enterprise updating and transformation.

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ECONOMIC MANAGEMENT

IMPROVING ECONOMIC RESULTS DISCUSSED

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[Article by Gong Xuelin [7895 7185 2651]: "Several Problems To Be Solved in Improving Economic Results"]

[Text] Improving economic results is an urgent matter. If we wish to effectively improve economic results, we must study and solve the following several problems.

1. We Must Clarify the Basic Requirements of Economic Results

Through discussions concerning economic results, many enterprises have encountered this need: in expressing the concept of improving economic results, linking it with reality and drawing out several basic requirements and offering clear reasoning will aid production. This has always been a prerequisite for an enterprise to improve economic results.

In simple terms, the so-called economic results are the effectiveness and benefit in the economic area that work offers society. Compared with the term 'economic effects [or "cost efficiency"] (jingji xiaoguo), "economic results" [or "economic benefits"] (jingji xiaoyi) stresses how beneficial, in economic areas, economic work is to society. It stresses economic results from society's perspective, as distinguished not only from capitalist production, but also from the methods of the past of attending only to the production plans of higher levels and of ignoring whether or not products met the needs of society. It stresses benefit in economic areas as distinguished from that of the past, which considered only political accounts and not economic accounts, and looked only to the rate of economic growth without regard to actual benefit. Therefore, the explanation of economic results should be: using the minimum consumption of labor and material to produce more products that meet the needs of society.

We can see from this concise explanation that there are four basic requirements for economic results:

A. Products Must Meet Society's Needs. This Will Make Clear the Effectiveness and Benefit of Products to Society. If products do not meet social needs, then the related economic work has, of course, had no economic results for society to speak of. To say a product meets social means its quantity, quality, function,

types, design variety, standards and price should all be suited to the needs of society. Social needs continually change and develop, and, in terms of concrete products, these needs do not necessarily all change in a single direction. For example, the volume required of a certain product will vary from time to time, and design and type demand will rise and fall over time. But in terms of the overall trend in development, the direction is constantly forward. For example, if society has a greater and greater volume demand of a product, then the quality and function required will be increasingly high and the design variety, type and standard requirements will be increasingly abundant and new. Here the increase of product volume is one aspect of social need, and we can see that "rate" of increase and "results" are not set one against the other. What is meant by a product meeting the needs of society is that every aspect of it meets the changing and developing needs of society. The striking indication of this is that the product is marketable from beginning to end. The higher the degree of marketability, the greater the economic results.

B. Labor and Material Consumption Must Be Minimal With a Greater Quantity of Goods Produced. This Makes Clear the Effectiveness and Benefit of Labor and Material (Including Natural Resources) Consumption. This consumption includes overall consumption, but primarily refers to unit product consumption. Only when unit product consumption is at a minimum can we use an equivalent or smaller amount (either being the minimal amount) of overall consumption and produce more products. Here, we speak of the production of more products when compared with consumption and do not refer to producing more of any product under any circumstances. Minimizing unit product labor consumption means raising labor productivity; minimizing unit product material consumption means reducing the consumption of raw materials and energy resources. By minimizing, we refer to raising the level of management (strengthening foundational work, adopting modern management techniques, etc) as much as possible to reach the limit possible under specific technical conditions. Exceeding the limit will result in shoddy work with inferior materials and reduced quality, and that would harm economic results. However, hard work can improve technical conditions, which in turn alters the limit. Therefore, using the minimum of labor and material consumption to produce even more products involves a demand to continually improve technical conditions and rely on technical advances. Under ordinary conditions, when an enterprise meets this demand, product costs decline. If wage levels and the price of raw material and energy rise more than normal, then costs may possibly not decline and may even rise. This condition requires concrete analysis. If this is a reasonable adjustment, then we should see that having relatively low product costs due to wage levels and the prices of raw materials and energy resources being excessively low is not a manifestation of truly high economic results. An enterprise should use the cost levels existing after reasonable adjustment as the starting point for improving economic results. Naturally, if unreasonable means of production lead to erratic price rises which impact on costs, this must be resolutely prevented.

C. We Must Use Funds Rationally. This Will Make Clear the Effectiveness and Benefit of Funds Utilization. Under specific organic structures, social conditions and enterprise management levels, based on differing enterprise production characteristics and scales, the amount of funds that an enterprise normally requires can be rationally determined. If enterprises tie up too much money

with their means of production pattern, or tie up funds for too long, it will increase consumption in two respects. In one respect, such means of production will produce visible harm and invisible harm, and will increase labor consumption and expenses in savings, storage and protection; on the other hand, in order to obtain the final products it requires, society must expend even more labor and material, or, if the labor and material has already been consumed, then society cannot obtain the final products it needs. Funds in the form of currency actually represent specific material and a similar result is met when an enterprise ties up too much currency. Therefore, if we truly desire to minimize the consumption of labor and material in producing more products than meet society's needs, we must rationally reduce the amount of funds used by enterprises. To do this, enterprises must alter their habit of carelessly adding equipment and "adding items," transferring extra equipment to others; and must strictly use circulating funds in accordance with limited targets, not tolerating excesses; and must work hard to speed up the turnover of funds, seeing to it that every yuan serves the function of more than one yuan. In this way, the profit rate for enterprise funds can be raised.

D. We Must Increase Profits. This Will Make Clear the Effectiveness and Benefit of Creating Surplus Products. Under normal conditions, this is a comprehensive manifestation of economic results and is a result in keeping with the three conditions mentioned above. Because enterprises work hard at improving the levels of economic management skills and worker quality, making products meet social needs, raising labor productivity, reducing consumption and costs and rationally using funds, under a condition of fundamentally rational product pricing, enterprise profits will inevitably rise. And greater profits can be used to carry out more construction and to produce more surplus products to improve the people's lives. In this way, if we strictly adhere to a rational distribution in which the state gets the large share, the enterprise a medium share and the worker masses a small share, prevent an irrational loss of profits and achieve a relatively reasonable proportion of accumulation to expenditure, national revenues will gradually increase, national modernization construction can develop and, at the same time, the people's lives can gradually improve.

Of the above four fundamental requirements for improving economic results, the first is the key, the second and third are the foundation and the fourth is the comprehensive manifestation. If we want continually and clearly to improve economic results, we must, at the same time, meet these four conditions. If we lack the first, and no one needs their products, then, of course, we cannot speak of economic results; if we lack the second and third, then there is no foundation upon which continually and clearly to improve economic results; and if we lack the fourth, then society's economic results have actually not improved. Of course, because the present pricing system has not been fully reformed, profit levels are not an absolute comprehensive manifestation of the measure of enterprise economic results. Therefore, on the one hand, we must use overall measurements encompassing these four basic conditions when appraising enterprise economic results, and on the other hand, we must actively create conditions and reform the pricing systems.

II. Enterprises Must Rapidly Improve Quality

Some comrades feel that the economic results of enterprises these last few years have been good and that the primary reason that social economic results have not been good is that macrolevel work has not been done well. According to this view, it is not so very pressing that enterprises improve quality. This view does not accord with reality and is of no benefit in improving economic results.

A. We Must See that Enterprises Are Truly Facing New Challenges. Of course, this is not to say that enterprises must bear the brunt of problems such as erratic price rises in the means of production; firm measures to correct this have already been taken at the macrolevel. And it is not that enterprises have to accept and adapt to the ills that exist in the economic management systems, which is something that the state is now reforming and actively preparing to reform further. By new challenges we primarily refer to the new conditions, following the quelling of chaos and restoring of order by the party's guiding ideology, which unavoidably appeared in the course of realizing the strategic goals of the four modernizations construction and in the course of thoroughly implementing the policy of readjustment, restructuring, reorganization and upgrading. This situation will largely continue in the future and if enterprises do not work hard to adapt to it, then they will lack vitality in the international marketplace and competitiveness domestically. What are these new conditions?

1. By the end of this century, the total value of our nation's industrial and agricultural output should quadruple and a prerequisite for this is that economic results continually improve. For a long time now, our enterprises have been accustomed to concentrating solely on value of output and raising production rates, which are relatively easy; now, on the foundation of continually improving economic results, we must guarantee solid growth rates, which is difficult.

2. After implementing the policy of opening to the outside and stimulating the domestic economy, the adaptability of products in terms of quality, function, design variety, type and price will be tested in comparison and competition in the international and domestic marketplaces. If they are not well built, they will not stand up.

3. In carrying out the policy of the planned economy being primary and market adjustment being supplemental, we must guarantee that we complete the state plan and meet the needs of the marketplace. But the demands of the market also exhibit many extreme changes and enterprise production will scarcely be as easy in the past when it was only responsive to the plan.

4. The situation in which some products are priced too high and raw materials, energy prices and wage levels too low is gradually being changed in a planned manner. Enterprises which in the past relied on low wages and unreasonable prices to make money will be more and more hard pressed. They must work hard from a new starting point to improve economic results. This, of course, will not be easy.

5. Along with the gradual development of reforms, enterprises will increasingly be unable to "eat from the big rice pot," this naturally being more reasonable than the past practice of making money while losses were all borne by the state; however, at the same time that enterprises strengthen their motive force, the pressure upon them will grow.

B. We Must See That in the Face of the New Challenges Enterprises Are Indeed Still Unable to Adapt Well. For example, improving economic results calls for continually improving product quality and reducing unit consumption of raw material and fuel, but in 1982, the quality of 19 of 113 major industrial products of Shanghai fell in comparison with the year before; while the unit consumption of 30 of 120 types of fuels and raw materials rose in comparison to the previous year. Of course, a majority of enterprises throughout the nation are relatively better able to adapt to the new conditions, and they have already achieved some successes. But, most enterprises have still not been able to adapt well. Among them, there are many whose enterprise management foundational work is still weak. For example, of 1,839 enterprises surveyed in Shanghai in 1982, only 43 percent had fairly complete original records, only 52 percent had fairly complete and reasonable man-hour target records, only 61 percent had fairly complete and reasonable raw material consumption target records, and only 69 percent had expense target records. Even those enterprises that have been praised for consistently having been fairly well managed and having had fairly good economic results will, under conditions of great market changes, product production limits and price drops, and increased raw material prices, experience product overstocking, the increased use of circulating funds and falling profits. Not long ago, certain enterprises in Shanghai's textile industry were this way. In addition to this, there are substantial numbers of enterprises that are entirely unable to adjust to the present situation. There are many enterprises suffering from mismanagement, with management chaotic and management and technical levels very low. Nationally, in 1982, there was a very high amount of losses suffered by state-run industrial enterprises that are within the state budget. According to surveys from certain areas, more than half of those suffering losses did so because of mismanagement. A bicycle factory in a certain province is a good example of this. Since its construction in 1970, the state has invested 20 million yuan in this factory, and so far it has yet to turn over any profits to the state, relying wholly on tax exemptions and subsidies to operate. This situation is in urgent need of change.

C. Enterprises Are the Cells of Society's Economy and the Foundation of Improvement in Economic Results. If the absolute majority of the 100,000 enterprises throughout the nation achieve poor economic results, then the economic results for the society as a whole cannot be good. This being so, the prerequisite for quadrupling the total value of industrial and agricultural output will be lost and our modernization construction tasks will be unable to move ahead. In regard to this, we must feel a strong sense of responsibility and of urgency. At the same time, we must realize that for a long time our enterprises have been accustomed to working under a condition of unified income and expenditure and overcentralization and, like blossoms which have just been removed from a hothouse, are unable to adapt to the changes in the natural environment without great effort. Therefore, enterprises must quickly improve the political,

professional and technical quality of its own leadership and worker corps, work hard to improve the levels of management and technical expertise and, in so doing, strengthen their ability to adapt and make a real effort to improve economic results. This is a very arduous task and how well it is completed will affect the success or failure of four modernizations construction. We must have a sufficiently clear understanding of this.

III. The State Must Correspondingly Strengthen the Measures it Takes

Socialist industrial production is socialized large production and many of the production operation activities of enterprises are intimately related to society; socialist enterprises are relatively independent economic units which must work under the leadership and planned guidance of the state; therefore, if we want to improve economic results, the state must also correspondingly strengthen the measures it takes. The state has already adopted many measures. Why must they be strengthened? Just because the improvement of economic results is still not manifest. The so-called strengthening of measures is not to say we must adopt all new measures, but should include better implementation and appropriate improvements of original measures. The essence of strengthening measures is to pave a road for enterprises and to give them guidance, urging, encouragement and supervision in order to improve economic results and see to it that enterprises strengthen themselves--it is not to do the work for them. Under the present situation, is there not an urgent need to strengthen those measures?

A. Firmly Handle the Reorganization of Enterprises, Especially Enterprise Leadership Circles. This is the most important measure to strengthen enterprises and so improve quality. Under similar external conditions, why are enterprise economic results clearly different? The most important reason is that the quality of enterprises, and especially the quality of the core (leadership circles), is different. The experience of each area has proven that, in all cases, among enterprises which have seriously reorganized, those that were originally advanced are now even more advanced, those that were originally backward have now changed their backward appearances, some even having begun to become advanced. But, there are still some enterprises whose reorganization is in form only, who have relaxed their enterprise reorganization. Now, we must rapidly change this situation, seriously summarize experience and, in accord with the plans of the party Central Committee, firmly handle enterprise reorganization, and especially the reorganization of enterprise leadership circles. Enterprises that have earnestly engaged in reorganization have clearly improved their economic results.

B. Strengthen the Overall Balance of Plans. Realistically correct the old problems of finance targets, production value targets and production volume targets not being linked, of production targets and material supplies not being linked, and of production tasks and technical reform tasks lacking unified planning. When finance targets are higher than production value targets and production value targets are higher than production volume targets, it always creates the problem that part of the production value and profit targets are slow in being announced to lower levels and what does come down suffers from not being linked or being difficult to link. Consequently, when enterprises do not know what else to do, they increase production of the products with high prices and

large profit margins, sales of which are uncertain. As a result, some of the products are overstocked, there is an increase in the circulating funds that are tied up, the turnover of funds is restrained, and certain products suffer price reductions or are sold at a sacrifice of profit, with the result being that, although production value grows, economic results are not greatly improved. When production targets and material supply targets are not linked, it brings into operation typical, command-plan enterprises and products, with major production materials in severe shortage. Because of this and production enterprises scrambling to hoard reserves, both utilization of funds is increased and supply shortages are aggravated, even to the point where price rises on the means of production are tolerated and unhealthy tendencies are engaged in for the sake of convenience. When production tasks and technical reform tasks lack unified planning, it leads to some older enterprises bearing too great a burden, even to the point where, because production cannot be stopped, new equipment which could improve economic results and has been shipped and received cannot be installed for long periods of time. These problems now require rapid and serious study and solution.

C. We Must Strengthen the Connection and Coordination Between Production and Circulation. In recent years, there have been some means of production which have not been lacking. But manmade simplifications have brought troubles. The raw cotton needed by a cotton mill in a certain province was originally received on a monthly basis. After this was changed to a single delivery, there was cotton piled everywhere within the factory, the amount of circulating funds multiplied and the turnover rate slowed tremendously. Because the supply of tobacco leaves did not meet its needs, a cigarette factory in a certain province was forced to make purchases and handle matters itself. Because of this, in 1982, its work force increased by more than 100, expending more than 2 million yuan, its funding was 23.44 million yuan, with interest payments of 1.68 million yuan, and costs rose as a result. In the area of product sales, in order to avoid overstocking now, some business departments do not procure products that are in the plan, with ordered goods to be on "immediate delivery," and they do not act as "reservoirs" for seasonal products. This not only increases the circulating funds of industrial enterprises, but results in their being unable to produce more seasonal products in the off seasons and then not being able to meet needed production levels in the peak seasons. After some retail commercial outlets complete their sales quotas, they purposely keep hot selling products off their shelves, refusing to do a big business and making it difficult for industrial enterprises to produce in accordance with true market demands. Therefore, in order to strengthen the connection and coordination between production and circulation and make joint efforts to improve economic results, related measures must be improved and strengthened.

D. Strengthen Market Survey and Forecasting, Raise the Level of Economic Adjustment Work. This is the key to guaranteeing that products meet society's needs. Currently, market surveys and forecasts are confined to a small part of all enterprises and related leadership departments do not forcefully implement corresponding measures. As a result, the forecasts do not play a strong role in guiding enterprise management decisions. There is no doubt that enterprises should do market surveys and forecasts, but solely relying on enterprises to do so--and every small enterprise would have to put forth a similar large effort to do so--is not economical, would result in poor quality forecasts and is

unreasonable. In fact, not only do enterprises need systematic, high-quality market surveys and forecasts, related leadership departments, in drawing up plans, adapting policy decisions and carrying out adjustment, also have a great need for them. The level of our economic adjustment work is not high at present. Severe shortages and surpluses of many plan-adjusted products frequently occur in turn, and after price adjustment, of some products, revenue is consistently reduced rather than raised. For example, tobacco and wine prices go up, while some consumer product prices go down and the price of pure cotton goods goes up, while chemical fiber goods prices fall. Because the sales of high-class tobacco goods and pure cotton products stagnate, every time this happens it reduces fiscal revenues. These situations are in urgent need of change. Otherwise, how will we later be able to utilize economic levers fully to carry out adjustments?

E. Firmly Handle the Research and Pilot Programs for the Next Step in Switching From Turning Over Profits to Paying Taxes. If we want enterprises to improve economic results, we must strengthen the pressure felt by enterprises and their self-motivation, and between enterprises we must do even better at carrying out the principle of encouraging the advanced and spurring on the backward. At present, for various reasons, the situation of some enterprises setting unreasonably cheap prices and putting out outmoded products has not been basically changed, the problems of enterprises lacking funds for technical reform and of contradictions arising concerning whether or not bonuses are set at upper limits are difficult to solve. If we want to fundamentally solve these things, we must carry out a total switch from turning over profits to paying taxes, but the prerequisite is that the pricing system be basically reasonable. And creating this prerequisite means changing the pricing system and, while extremely difficult, if the system is off just a little, it can impact on market prices, the lives of the people and the revenues of the state. A relatively feasible method is to coordinate the planned readjustment of prices; while continuing to carry out the switch from profits to taxes. We can select industries with a low degree of complexity and a high level of management for pilot programs, on the one hand, taking some products which must have their prices readjusted and readjusting them in a planned way and, on the other hand, in accordance with product taxes and the adjusted tax rates (converted into the present industrial and commercial taxes), at the same time, dividing into classes the enterprises whose equipment and material conditions are especially good, though not through the efforts of the enterprise themselves, and levying a resource tax (to be collected prior to income tax). In this way, the profits realized by exerting similar efforts by enterprises in the same industry will be very close, and we can try to implement similar rates of profit retention (a comparative rate of profit retention which is an average for the whole industry or a profit retention rate that would reflect a well reorganized midlevel enterprise), and stipulate the proportion of profits that bonuses should represent. In doing this, the profits retained for most enterprises will not change, a small number of enterprises can retain more profits, and, if backward enterprises do not quickly improve economic results, then they will have fewer profits to retain, some enterprises going so far as to shut down. Some enterprises in distant border areas can be protected for a specific period of time. Doing things this way will be relatively difficult, but will be easier than reforming the pricing system, and there are many advantages:

1) It changes "whipping the fast ox" to "whipping the slow ox and lazy ox"; 2) it is a fairly good way of solving problems such as unreasonable pricing which create more headaches than delight for enterprises; 3) it is advantageous in increasing the tight supply of low-profit products and decreasing the abundant supply of high-profit products while basically not affecting market prices, the peoples' lives and the revenue of the state; 4) it sees to it that backward enterprises have no profits to play with, which will prevent blind, duplicate construction of plants with the backward squeezing out the advanced, and it will spur enterprise integration and restructuring; 5) it will alleviate constant disputes over base profit retention figures and ratios and over whether or not bonuses are set at upper limits; and 6) it will benefit the gradual reform of the pricing system and the second stage of the transition from turning over profits to paying taxes.

F. Advance Pilot Programs to Expand Enterprise Autonomy. If we want to continually improve economic results, enterprises need specific management autonomy. Currently, because the various aspects of reform are at different stages of falling into a complete system, the autonomy that it has already been decided to give enterprises is, in some cases, difficult to implement. After universally promoting systems of economic responsibility, in most cases there are no actual differences between pilot enterprise units whose autonomy has been expanded and those units not in the pilot programs. This situation will make it very hard to meet the demands of continually improving economic results and the overall gradual promotion of the reforms during the Seventh 5-Year Plan. Therefore, we need to select advanced enterprises to continue as pilot programs. If the number of pilot programs is a little smaller, then from start to finish, each aspect of reform will be a little more connected in striving to move at a similar rate into a complete system. This way is helpful in testing out experiences and will not go so far as to create chaos at the macro-level.

G. The Primary Departments Responsible for the Work of Enterprises Must Also Establish Strict Systems of Responsibility. We want seriously to carry out management, coordination, unified planning and supervision of enterprises and must also assume responsibility for the economic losses occasioned by our own incorrect policies, unreasonable targets and quota rises, and inappropriate administrative interference. Doing so will be of benefit in shifting all economic work onto a track which takes improving economic results as its focus.

9705

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ECONOMIC MANAGEMENT

STRENGTHENING MANAGEMENT OF EXTRABUDGETARY FUND DISCUSSED

Kunming YUNNAN RIBAO in Chinese 7 Oct 83 p 3

[Article by Huang Weizhao [7806 0251 2507]: "Strengthen the Management of Extrabudgetary Fund"]

[Text] Since the Third Plenary Session of the 11th CPC Central Committee, we have readjusted our financial distribution, reformed the system of financial and economic management, expanded the decision-making power of the enterprises, and implemented such systems as profit retention and assumption of sole responsibility for one's own profits or losses. Our extrabudgetary fund has increased rapidly. The various localities, departments and units have gradually consolidated their own financial resources, enhanced the development of the production and construction causes and improved the livelihood and welfare facilities of the workers. However, the extrabudgetary fund has increased too rapidly and even surpassed the income of funds within the budget. Its activities involving income and expenditure have directly affected the realization of the economic plans and the equilibrium in manpower, material and financial resources. Thus, we must strengthen the management over our extrabudgetary funds.

Due to a lack of unified management of our province's extrabudgetary fund, some departments have set up their own projects and their own criteria, and have used up a portion of the income from the state budget. As a result, the extrabudgetary fund has increased too rapidly. Compared to 1980, the extrabudgetary fund in 1982 increased 50 percent, while the income within the budget only increased 31 percent. The income that year from the extrabudgetary fund already surpassed the income within the budget by 7 percent. In the use of funds, redundant construction and the tendency toward blind production have appeared, funds have been wasted and the capital construction front has been extended. In the readjustment of the national economy in recent years, in spite of the effort to cut down the investment within the budget, extrabudgetary investment has swiftly increased. There has been a serious shortage in some means of production, particularly the "three materials." There has been shortage in the engineering capacity, and a new inequilibrium has appeared in manpower and material and financial resources.

What is the extrabudgetary fund? The so-called extrabudgetary fund refers to the financial fund that is stipulated by the state and managed by the localities,

departments and units at various levels themselves regarding income and expenditure. It is a financial fund that is carved out from the fund within the budget. The purpose of the state in setting up an extrabudgetary fund is to mobilize the enthusiasm of the various aspects and assign definite flexible financial power to the localities, departments and units at various levels. The fund acts as the source of funds outside the plan needed for production and construction causes as well as the people's livelihood and welfare facilities, and supplements the inadequacy in the state plans and budget. However, the fund within the budget plays the primary role and the extrabudgetary fund plays the supplementary role. The two hold different power of disposal and use, and their essence and property do not change. Thus, the concerned financial and planning departments naturally should strengthen their management over the extrabudgetary funds.

How should we strengthen management? In light of our province's reality, we should adopt the following measures: first, sort things out and carry out rectification. At present, we can carry out such tasks as collecting funds from the extrabudgetary fund for the key energy and communications construction projects and implementing the substitution of tax payment for profit delivery in the state-run enterprises, and in doing so, sort out the channels for the extrabudgetary fund, find out the quantity and distribution of the extrabudgetary fund, replace the illegal projects and fix the criteria for drawing and retaining the extrabudgetary fund according to the stipulations by the state. Second, set up and perfect the system of management involving the planning, inspection and policy decision-making regarding the extrabudgetary fund, and carry out strict financial supervision. Third, we must strengthen the macroeconomic control and planned guidance over the use of the extrabudgetary fund. The major method is to go through a comprehensive financial credit plan to give guidance to the use of the extrabudgetary fund, organize coordination and balance and enable the fund and the plans for the national economy and social development to dovetail. Toward the use of the extrabudgetary fund in capital construction, we must impose strict control, act in accordance with the procedures for capital construction, and, after approval, include the fund in the gross amount of the investment plan for capital construction dispatched by the state to the lower level, so as to maintain its coordination and equilibrium with the "three materials" and engineering capacity.

9335

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ECONOMIC MANAGEMENT

COLLECTIVE INDUSTRIAL ENTERPRISE REFORM, CONTRACTS IMPLEMENTED

Fuzhou FUJIAN RIBAO in Chinese 7 Oct 83 p 3

[Article by Zu Jie [3809 4814], Zheng Min [6774 2404], Wei Ping [5898 1627] and Zhong Ping [1813 1627]: "The Reform and Contracts of the Collective Industrial Enterprises"]

[Text] This year, while the state-run industrial enterprises were implementing the substitution of tax payment for profit delivery, the collective industrial enterprises were implementing the economic system of contracting responsibility. This is a major reform in the urban collective industrial economy, and is a major practice in eliminating the "leftist" remnant poison on the collective industrial front and in running collective enterprises according to the characteristics of the collective economy.

Statistics of the 16 key cities and counties in the No 2 light industrial system in our province show that 60 percent of the collective enterprises have already set up and implemented different forms of the economic system of contracting responsibility. There are small-scale accounting units that implement contracting level by level; there are "cabinets formed" by selected "able personnel," who take up the function of contracting; there are operational demarcations and contracting according to these demarcations; and there are masses who are mobilized to enter bids for contracting. The implementation of the economic system of contracting responsibility among the collective enterprises has "revolutionized the situation of eating out of the same big pot, boosted the enthusiasm of the industrious people, and cured the illness of the lazy people." It has aroused the socialist enthusiasm of the workers, improved the business management of the enterprises, and raised the economic results. After implementing on an all-round scale the economic system of contracting responsibility, the Nanping municipal No 2 light industrial system increased the value of output for the first half of the year by 13.7 percent, increased the income from sales by 20.2 percent, changed the drop in profit by 26.4 percent to the increase in profit by 1.45 percent, and reduced the amount of deficit by 91.6 percent. The economic system of contracting responsibility has demonstrated a very powerful vitality in the collective industrial enterprises. Using the form of contracting, it has integrated even more closely responsibility, right and interest, linked more closely the interests of the workers and the business results of the enterprises and shattered the corrupt practices of "the same big pot" and the "iron bowl." It has more properly realized the unity of the right

to own, possess, control and use of the collective enterprises, has more properly realized the principle of distribution according to work, has improved the socialist relationship among men, has enabled the relations of production to suit more appropriately the development of the productive forces, and has opened up a new path for creating a new situation in collective industry. It is no less significant than the socialist transformation of the handicraft industry in the fifties.

The economic system of contracting responsibility is a product of the reform of the collective industry. We need to sum up our experiences in and continually perfect the system of the development of the reform. We must correctly handle the relations in distribution in the interests of the state, the collective and the individual, and increase the collective accumulation of the enterprise. This is an important issue in the present reform, particularly in the implementation of the economic system of contracting responsibility. Marx's theory on reproduction tells us that accumulation is the source for expanding reproduction. A collective enterprise that has an independent accounting and that shoulders its own profits or losses will have to rely on its own collective accumulation in developing production and running welfare causes. Thus, we must correctly handle the relations among the three major funds in compensation, consumption and accumulation, regulate the proportion of distribution among the state, the collective and the individual, and expand the collective accumulation of the enterprise. At present, in the proportion of distribution among the three, some enterprises manifest the tendency of "ensuring the largest share (the state), benefiting the smallest share (the individual) and crowding out the next largest share (the collective)." We should attach importance to this and adopt practical and realistic measures to correct this. We must abide by Marx's principle of the deduction from the total product of society in "Critique of the Goethe Programme," and not only deduct a sufficient amount for the compensation fund, supplementary fund and reserve fund, but must also deduct management fees as well as the welfare fund and education and health funds planned as a whole for the collective, before we use the remainder for distribution among individuals. With the improvement in production measures, the adoption of new technologies and the improvement in business management, cost has been lowered, raw materials have been economized and productivity has been raised as a result. A large part of this is composed of the fixed assets collectively owned by the enterprise and the conversion of the value of raw materials and fuel. Thus, a large part of this should be considered the enterprise's collective income, while a small part of this should be the individual's income.

In order to ensure the appropriate proportion in distribution among the state, the collective and the individual, we must strive to see that the base figure for contracting and the labor quota are maintained at an advanced and rational level. The scope of increase in the individual income of the worker cannot be higher than the scope of increase of the labor productivity, taxation and profit. The wage content in the unit product cost can only be low and not high, and so on and so forth.

We should also consider making some readjustments gradually on the state's policy of distribution toward the collective enterprise alongside the changes in our situation. For instance, we should raise the depreciation rate of the fixed assets, permit the drawing of funds for large-scale repairs, and set up

funds for the development of new products, for technological transformation and for workers' education, so as to strengthen the financial resources of the collective enterprise through self-reliance.

We should perfect the economic system of contracting responsibility through reform and rectification. We must reform the blind application of the system of management and rules and regulations of the state-run enterprises and reform the backward state of business management of the handicraft industry. At the same time, we must rectify and build enterprise leading bodies and workers ranks, and rectify and set up scientific production procedures and the basic systems of business management, such as man-hour quota, consumption quota, original records, statistical analysis, measuring and testing tools and examination criteria, so as to create the conditions for and establish a good foundation for perfecting the economic system of contracting responsibility. Under the support of the county party committee and concerned departments, the Fuding County No 2 light industrial sections "converted big ones into small ones and comprehensive ones into specialized ones" and readjusted the mode of organization. They implemented a reform in which "the enterprise carried out its own management, shouldered its own profits or losses, employed its own workers, selected its own cadres and set up its own wages." At the same time, they implemented the economic system of contracting responsibility in an all-round manner. In the first half of this year, the output value increased 23 percent, the income from sales increased 36 percent, profit increased 41 percent and taxes increased 27.6 percent. Thus, we can see that changing the aspects that are not suitable for the relations of production can enhance a large-scale development of the productive forces.

9335

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ECONOMIC MANAGEMENT

STRENGTHENING RAILROAD CONSTRUCTION PROMOTED

Beijing JINGJI RIBAO in Chinese 15 Aug 83 p 2

[Article by Chen Puru [7115 3877 1172], minister of the Ministry of Railways: "Strengthening Railroad Construction To Meet the Needs of Economic Development and the People's Livelihood"]

[Text] The railroad is the artery of the national economy and plays the leading role in modern vehicular transportation. The development of railroad transport plays an important role in strengthening our country's economic construction, consolidating national defense and satisfying the daily growing needs of the material and cultural lives of the urban and rural people.

In recent years, in spite of the fact that the railroad has fulfilled or over-fulfilled the state's transportation plans every year, it still fails to satisfy the needs of the development of the national economy and the people's livelihood. This is manifested prominently in the difficulty of the owners of the cargos to request trains, difficulty in goods transportation, difficulty of travelers in purchasing tickets and difficulty in traveling by train. The primary reasons lie in the 10 years of confusion and the sabotage by Lin Biao and the gang of four." In addition, we have accumulated many problems in our work and have failed to properly handle the relationship between developing the national economy and developing railroad transportation. As a result, a proportional disharmony has been brought about. Since 1957, the volume of passenger and freight transportation by railroad has increased 2 times and 3 times respectively. However, the operational mileage of the railroad has not been doubled. Consequently, the contradiction between transport capacity and transport volume has become extremely prominent. At present, there is an all-round shortage in the transport capacity of the 20 major railroad lines, including the Beijing-Guangzhou, Beijing-Shanghai, Beijing-Shanhaiguan, Shenyang-Shanhaiguan, Lianyungang-Tianshui, Jiaozhou Wan-Jinan, Zhejiang-Jiangxi, Hunan-Guizhou, Guiyang-Kunming, Taiyuan-Jiaozuo and Beijing-Baotou railroads, and some railroad centers, and only 50 to 70 percent of the transport volume can be fulfilled.

Besides the inadequate transport capacity, there are many shortcomings in railroad work which have intensified the tension in railroad transport. In the last few years, because our ideological and political work was relatively weak, our style of work was not profound enough and our business management was

improper, safety conditions in transport were very unstable. Some stations and trains had poor order and low service quality. During their trip, some passengers were not served meals or water. The phenomena of blackmailing, rude loading and unloading, making things difficult for the owners of cargos, beating and verbally abusing passengers as well as stealing goods and materials for transport took place in some stations. These have brought about losses for the state and the people, and have created an extremely bad influence in society. Some opportunists made use of long-distance travel to peddle their goods, thereby undermining order on the train, affecting safety and disturbing the passengers. All this deserves our serious attention and our effort for improvement.

In order to gradually change the backward outlook of the railroad and open up a new situation in railroad work, we are adopting the following measures:

First, strengthen the construction of new lines and the transformation of old lines and strive to raise transport capacity. Before 1990, we must focus on strengthening the route of transporting coal out of Shanxi. We must complete four multiple tracks (the multiple track for parts of the Nantongpu and Beitongpu lines, the multiple track for the Jiaozhou Wan-Jinan line, the multiple track for the Xinjiang-Jiaoquo part of the Taiyuan-Jiaozuo line, and the multiple track of parts of the Jiaozuo-Zhichang line). We must complete six electric railways (the Fangtai-Shahe-Dateng, Beijing-Taiyuan, Beitongpu, Taiyuan-Jiaozuo lines, the Zhengzhou to Baoji line, and the Zhengzhou to Wuchang line). We must also complete ten new main lines (Beijing to Qinhuangdao, Datong to Qinhuangdao, Qinhuangdao to Shenyang or another route through the pass, Suo County to Shijiazhuang, Beijing to Fuyang, Houma to Yueshan, Xinxian to Henzhe, Yanzhou to Shijiusuo, Hefei to Jiujiang, and Nanjing to Hefei). In the 120 key construction projects that were published in the Sixth 5-Year Plan, 14 of them were railroad projects, which included such key projects as the electrification of some of the above lines, the building of the new lines from Beijing to Qinhuangdao, Yanzhou to Shijiusuo and Anhui to Jiangxi, the multiple track from Hengyang to Guangzhou, as well as the Beijing Railroad Center and the Tangshan Rolling Stock Plant. We must try our best to organize these projects properly, raise quality, lower cost, shorten the construction cycle and ensure the completion of the key projects according to quality and schedule.

Second, vigorously organize scientific and technological breakthroughs. The key to speeding up the modernization of railroads lies in scientific and technological progress. At present, we are organizing the entire railroad scientific and technological personnel to concentrate their effort on making a breakthrough in this important topic of "research on the complete set of technology on heavy load trains." This is a comprehensive scientific and technological problem, which includes the study and solution as a complementary set of problems involving the rolling stocks, the railroad lines and the communications facilities, the coordination of the loading and unloading capacities of the railroads, mines and harbors, and the organization of transportation and operation, in order to do our best in raising railroad transport capacity.

Third, persevere in the principle of "tapping the potential of old lines and branching out to the new lines" so as to alleviate the contradiction in the inadequate transport capacity of the main lines and the railroad centers. In

tapping the potential of the old lines, we should primarily undertake such measures as organizing through trains and trains hauling above-normal tonnage, raising the speed of the trains, readjusting the routes and reducing irrational transportation, so as to expand transport capacity. In branching out to the new lines, we should adopt necessary technological and organizational measures to shoulder the transport volume of some of the old lines.

Fourth, strengthen the work of goods transport and raise service quality. At present, we must focus on correcting the unhealthy tendencies of a few workers such as blackmailing, making things difficult for the owners of cargos, loading and unloading in a rude fashion, and stealing goods and materials for transport. We must strengthen management, make strict demands, perfect our rules and regulations, perfect our economic system of responsibility, improve management over the goods yard, and raise our quality of loading and unloading. We must achieve the goal of respecting our customers and cherishing our goods and render high-quality service. We must vigorously commend good people and good events of loading and unloading in a civilized manner and of respecting customers and cherishing goods. We must strictly deal with those people who load and unload goods in a rude fashion and steal goods and materials for transport. Besides compensating for economic losses, we must impose disciplinary measures on the serious cases. We must impose punishment according to the law toward those who have violated the law, and hold the concerned leading personnel responsible.

Fifth, vigorously improve the work of passenger transportation, and gradually alleviate the situation of having difficulty catching a train. In addition to expanding the number and structure of the passenger trains and reforming the system of attendants on the passenger trains, we must vigorously improve our passenger service. We ask that the working personnel at the stations or on the trains firmly uphold the thinking of serving travelers. If the trains are crowded or overcrowded, they must pay even more attention to treating the passengers politely. They must perform their service properly and improve their service quality, and must try each and every means to make sure that the passengers have their beverages and meals during their trip.

Sixth, running well the people's railroad cannot be divorced from the concern and supervision of the localities and from the support and assistance from the masses of people. In railroad construction, it is difficult to rely simply on state investment to speedily complete a railroad network that operates in all directions. In order to more fully satisfy the needs of the economic development of the localities and the various aspects, we hope that the provinces, municipalities, autonomous regions and concerned departments can also make collective investments in repairing and building some local railroads and special-purpose railroads in order to supplement the inadequacy of the main railroad lines. In this respect, we will definitely render active support in supplying special-purpose railroad apparatuses and facilities, and render assistance in technological and transportation management. In daily transportation, production and construction, we will strictly act in accordance with the principle that the people's railroad must serve the people wholeheartedly. At the same time, we sincerely hope that the people of the various nationalities will take care of the people's railroad.

ECONOMIC MANAGEMENT

FURTHER REFORM NEEDED IN FINANCIAL MANAGEMENT

HK081105 Beijing JINGJI GUANLI in Chinese No 11, 5 Nov 83 pp 22-24

[Article by Qiao Peixin [0829 1014 2450]: "Further Reform in Financial Management is an Urgent Matter"]

[Text] As proved by numerous facts, our financial management badly needs a thorough reform. The institution of a system of taxation instead of delivery of profits to the state is a good idea, but a number of important problems have yet to be solved. A kind of unreasonable relations of production, which has evolved from our financial management, still exists and is impeding the development of the productive forces, particularly the development of technical transformation. This is manifested in two aspects: First, waste is alarming, but there is no genuinely effective way of stopping it. Ill-considered construction projects not included in the plan will directly affect the process of realizing the strategic objectives of the 12th National Party Congress, but many people who are in a position to make decisions are very keen about such projects and financial management is incapable of curbing this trend. Second, in order to realize the four modernizations, it is vitally important that we must rely on scientific and technological advancement. The policy of carrying out technical transformation in existing enterprises has been clearly stated. However, instead of making way for it, some financial management regulations hinder the smooth progress of this work.

Outwardly, technical transformation is already underway. But it seems so very listless compared with blind construction. It fails to draw financial resources from blind construction. In fact, half or more than half of the financial and material resources earmarked for technical transformation have been sucked up by blind construction. Instead of concentrating our efforts on technical transformation in our endeavor to achieve better results and higher speed in production and construction, we blindly launched a great number of new projects which were technically backward. Many enterprises showed very little interest in technical transformation. They lacked stimulation, a sense of urgency, and enthusiasm for this task. Some enterprises were quite enthusiastic about technical transformation, but had difficulty getting financial assistance. At a meeting held in Changzhou, Jiangsu Province, in June last year, the directors of the city economic and planning committees invited representatives from 13 units (5 committees, 5 bureaus and 3 companies) to sit down and jointly examine and approve transformation and construction projects. Some of the projects approved by various units were vetoed by the bank, but such cases were few in number. The majority of the projects were rejected by the financial department.

They cited a vivid example to illustrate this point: A factory in Changzhou was notified by the People's Bank that in order to save silver, aluminum should be used instead of the white metal in manufacturing mirrors. The city financial department did not give the green light of the factory to carry out technical transformation. The city economic committee and the bank had no alternative but to stop supplying silver nitrate to the factory. The factory was soon forced to stop production. Some time afterward, Changzhou squabbled with other places because of this and the provincial authorities found out why the production of mirrors had stopped. It was only then that the question of technical transformation for that factory was solved. In June and July last year. I went to the Wuxi lathe factory in Jiangsu and the No 1 lathe factory in Beijing to investigate and study the question of technical transformation. Both factories had enthusiasm for technical transformation. The bank wanted to grant them loans but were not in a position to do so. The Beijing No 1 lathe factory wanted to buy 13 sets of fairly advanced imported lathes from other factories, which did not have much use of them and were willing to sell them at a bargain price. The factory applied to the bank for a loan. The bank considered the application justified, but had to reject it because existing financial regulations said no loans should be granted without guaranteed sources of repayment. In the months that followed, I twice inquired of our Beijing branch office about the loan application, but was told that nothing could be done about it. I used to think that using foreign loans to finance technical transformation was difficult because repayment had to be made in foreign exchange. Through these instances, I have come to understand that even Renminbi loans cannot be easily arranged. Generally speaking, no enterprise has enough funds of its own to finance its technical transformation. They are unable to get any support from the financial authorities. The bank wants to help, but things cannot be easily arranged. What is the reason for this?

In 1980, there was this provision for intermediate and short-term loans to the light and textile industries for the purchase of equipment: In order that the borrowing units may be depended upon to make repayment and can clear the loans as quickly as possible, enterprises owned by the whole people may, after the completion of the items concerned, repay the loan, both principal and interest, with all the profits derived from these items and with depreciation funds and tax on fixed assets. The remainder may be cleared by applying for exemptions or reductions of industrial and commercial taxes. Collective enterprises may repay loans with additional after-tax accumulation derived from the items concerned after their completion and with depreciation funds on fixed assets. The remainder may be cleared by applying for exemptions or reductions of income tax and industrial and commercial taxes. In 1982, the channels of repayment were greatly reduced because a deficit of 3 billion yuan was envisaged. A new provision was stipulated: "In repaying loans, an enterprise should first draw on its own funds. The remainder can then be cleared with additional profits derived from the items concerned after their completion." Because this provision was upheld by the national conference of financial department and bureau chiefs held last August, the machine-building and heavy industries found their channels of technical transformation blocked. If the 1980 provision concerning the repayment of loans to the light and textile industries were also rescinded, these industries would also find their channels of seeking loans to finance technical transformation blocked.

We have had some successful experience in making investment in fixed assets with bank loans and foreign loans. It is a pity that such experience cannot be popularized. Since 1963, the Ministry of Transport has been buying ships with the help of bank loans. According to a directive of the party Central Committee and the State Council, before a loan is repaid, both principal and interest, revenue will not be included in the state budget, no tax and profits will be collected, no depreciation will be considered. From 1963 through the end of August in 1982, the ministry had bought 588 foreign-made ships, with a total tonnage of 11.04 million tons, with foreign loans amounting to \$2.94 billion arranged through the Bank of China. Some of these were turned into coastal transport ships and some were written off. The total tonnage of its ocean-going ships added up to 9.1 million tons. Paid-up loans amounted to \$2.65 billion. Principal on over 90 percent of the remaining \$287 million has already been repaid and what is left is only the payment of interest. By and large, there was no need for the financial department to invest any money. Over 90 percent of the ships brought with loans have now become the fixed assets of the state.

As early as in 1963, the party Central Committee and State Council had already done away with the rules which said that bank funds were not to be used for capital construction purposes, such as for the purchase of equipment, and that if such funds were used for construction purposes, repayment of capital with interest must be subject to the restrictions of the financial department. The party Central Committee and State Council had long since set an example for us on how to make use of bank funds and give full scope to the role of the bank. We have traversed many a tortuous path these past years. After carrying out reforms, we have gradually returned to the correct path. It has recently been decided that the bank will officially undertake to pay for technical transformation by granting loans to industry and commerce. However, the rules regarding repayment imposed by the financial department still pose an obstacle to technical transformation. Thus, technical transformation still cannot proceed smoothly despite the new decision.

Practice has proved that the argument that we do not have the necessary funds and material resources to carry out technical transformation does not tally with facts. We have a foreign exchange fund amounting to more than \$10 billion deposited in other countries, and the sum is one the increase. The 1-year to 3-year loan terms we have arranged to finance technical transformation projects involve only very small sums. Do you have any idea how much money in Renminbi and how much material resources were spent on ill-considered capital construction projects not included in the plan? They were in terms of billions of yuan. Can you call that a small sum? The policies of the party and state is to guarantee key construction and technical transformation. The unreasonable relations of production shaped by financial management are unable to check waste, which is alarming, and to curb blind construction. Instead, they pose a huge obstacle to technical transformation and hinder the growth of the productive forces. We end up in a very passive position, unable to properly guarantee the key construction projects, let alone technical transformation.

Why do we have to do this?

Bluntly speaking, we want to guarantee revenue for the current year. In order to guarantee revenue, it is necessary in financial management to reduce the channels of repayment to such an extent that the enterprises will find it very difficult to make use of bank funds to carry out transformation. As a result of the gratifying headway made in the national economy in recent years, funds deposited in the bank have increased substantially. In addition to increasing circulating funds, the remainder is actually divided into three parts, the smallest part of which will either be used to finance technical transformation or as intermediate or short-term loans for the purchase of equipment. Of the two remaining parts which have no [word indistinct] the banking business, one part is deposited in other countries [word indistinct] other part used [word indistinct] the problem of deficits. While it is necessary to guarantee revenue, it is a bad thing if our preoccupation with guaranteeing revenue for the current year hampers the further development of the economy.

Further analysis shows that although foreign patterns were rejected by the 12th National Party Congress in its guiding ideology, financially construction was still chiefly modeled after the Soviet pattern. The characteristics of this pattern are: investment in capital construction is chiefly investment without compensation (an investigation report was submitted to the State Council in 1979). Because investment is without compensation, people do not pay attention to economic accounting and show a keen interest in launching new projects. After these projects have been launched, they keep supplementing the budget, as if it would be foolish not to ask for more money. This causes the scale of capital construction to expand. With everyone eating off the state, losses and waste are serious and economic results are poor. Speaking of "everyone eating from the same big pot," I think the biggest of the "big pots" is the financial department backed by the bank. Deficits are taken care of by the bank, and losses and waste which cannot be written off are also taken care of by the bank. If we continue to follow the Soviet pattern, we will not be in a position to curb things which should be curbed. Technical transformation, which should not be blocked, is somehow blocked.

What kind of reforms do we need? I propose the following:

First, the scale of capital construction must be compatible with our country's capabilities and we must earnestly adhere to the principle of acting according to our capability. On this premise, we must insist on making budgets without deficits. The only exception to this rule is when we are hit by unusually grave natural disasters or dragged into a war. Socialist construction is indeed the business of the state. If the financial department does not have enough funds, it can make use of credit funds from the bank. But it must see to it that both principal and interest are repaid on time.

Second, all current financial investments, whether at the central or local level, should be turned into investment with compensation, with the exception of those projects which the party Central Committee and State Council said should continue to use investment without compensation with a view to achieving better economic results, it is also necessary to repay on time capital with interest. With the exception of regular tax and profits, all planned payments in gold, foreign exchange, and Renminbi by the bank to the financial department should be stopped.

Third, ill-considered construction projects not included in the plan should be halted if the state ordered that they should be halted. Specifically, it is necessary to adopt the following measures: 1) The financial department should adopt a system of taxation and collect tax at a rate of 30 to 40 percent of investment, or even higher. 2) The energy department should stop supplying coal and electricity to factories which are blindly built or extended and which should be closed down. The state should work out a perfect system of management for coal, petroleum, and electricity just as it has for financial expenditures. The railroad and transport departments should not provide transport facilities to these factories, and banks at all levels should not grant any loan to them or handle receipts and payment for them.

Fourth, the financial department should encourage technical transformation and should greatly relax the requirements regarding loan applications and repayments. The 1981 and 1983 provisions regarding the repayment of loans should be cancelled. The 1980 provision regarding the repayment of loans to the light and textile industries should also be simplified and relaxed. Revenue increases should be based on a nice and fast job of technical transformation and on the speedy improvement of economic results.

The bank is carrying out reforms now and should continue to carry out reforms in the future. Excuse me for not elaborating on this here.

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FINANCE AND BANKING

WITHDRAWAL OF CURRENCY FROM CIRCULATION IN RURAL NINGXIA

Yinchuan NINGXIA RIBAO in Chinese 8 Nov 83 p 1

[Report by Yu Shengfu [0060 4141 4395]: "We Must Stress the Withdrawal of Currency from Circulation in the Countryside During the Busy Season"]

[Text] From January through September this year, agricultural banks and credit cooperatives had issued various agricultural loans with a cumulative total of over 100 million yuan, an increase of more than twice the same period last year. The amount of cash put into circulation was over 70 million yuan, an increase of 88.7 percent. Judging from an analysis of the examination of the investment of agricultural loans, currency circulation and channels in all areas, the overall situation is good. However, in giving credits we must consider the endurance of currency circulation in the market. We did not pay sufficient attention to this in the past and there are problems of slackening in credit management, laxity in control, tendency of loans to be large and slow withdrawal of currency from circulation, causing incompatibility between the purchasing power formed by added currency and the total value of available commodities. As paper money in the market is abundant, the rate of withdrawal of currency from circulation is slow, which is not compatible with the bumper harvest throughout the region and the increase in purchasing power of the peasants. In order to do well in the withdrawal of currency from circulation in the countryside during the busy season:

1. We must speedily relay the spirit of the people's government of the autonomous region concerning the implementation of the State Council's circular on "Strictly Control Putting Currency into Circulation, Actively Organize the Withdrawal of Currency from Circulation" to grassroots financial departments as well as commune production brigades, enterprise units, public agencies and other concerned units. Propaganda departments must also vigorously popularize the significance of strict control over putting currency into circulation and actively organizing the withdrawal of currency from circulation.

2. Finance departments at all levels must do their best in investigation and research, stress the implementation of plans and measures and prepare even more funds for next year's agricultural production. Agricultural banks at all levels must transfer cadres with ability to become involved at

the grassroots level, clear up the accounts of every commune and production brigade and get to know clearly the conditions of currency circulation in the countryside. We must strengthen and urge inspection and promote the completion of the task of collecting loan payments and savings deposits during the busy season. We must aim at the characteristics of this year's loans as being extensive, large in quantity and scattered, as well as the conditions of settling accounts by the households themselves. We must overcome the fear of difficulties as well as blind optimism, stress schedule, control and doing a good job in collecting loan payments. We must actively expedite the collection of due and overdue loan payments. For areas with bumper harvests, loan payments due in the current year must be completely collected, and 20 percent in interest must be added to overdue payments according to regulations. We must also stress the collection of old stock according to schedule.

3. Commerce, supply and marketing, service, food and drink departments must make use of the opportunity of peasants having more cash in the busy season and adopt various measures of setting up stalls and outlets, exchange of goods and materials, extending business hours, improving attitude in service and increasing colors and variety in order to expand sales and increase the withdrawal of currency from circulation.

4. Finance and trade departments must rely on local governments to strengthen leadership in their work during the busy season. They must promptly report to party and government leaders on the conditions of the scale of commodities in the countryside, the collection of due and overdue agricultural loan payments and the progress in rural savings deposits. They must also sum up experience and commend advanced models.

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FINANCE AND BANKING

BIG INCREASE IN SAVINGS DEPOSITS IN NINGXIA REPORTED

Yinchuan NINGXIA RIBAO in Chinese 5 Nov 83 p 1

[Report by Zhao Chengqian (6392 2110 6197): "Big Increase in Urban and Rural Savings Deposits in Ningxia"]

[Text] Since the 3d Plenary Session of the 11th CPC Congress the economy of our region has become increasingly prosperous, the income of people has increased and there has been tangible improvement in livelihood. Urban and rural savings deposits have had big increases in successive years and have entered a new stage of development. By the end of September this year, the total urban and rural savings deposits in the region as a whole amounted to more than 411 million yuan, an increase of more than 321 million yuan over the total at the end of 1978. The average per capita savings in the region as a whole is 105 yuan, an increase of 80 yuan over 1978 or an increase of 4.2 times.

The development and changes in the savings deposits in cities and towns of our region have the following main characteristics:

The rate of increase in savings deposits is high and the law of increase and decrease has changed. In the 20-year period between 1958 and 1978 the average rate of annual increase in savings deposits in cities and towns in the region as a whole was 12.27 percent. The amount of increase from 1979 to 1982 was equivalent to 3.9 times the total increase during the preceding 20 years, reaching an average rate of annual increase of 37.38 percent. The first 9 months of this year is even more than the total increase during the 20 years preceding 1978 by more than 400,000 yuan.

Participation in savings is extensive, the average savings per account has increased and the structure of savings has changed. In September 1983 the number of savings accounts at just the people's banks throughout the region was over 827,300, an increase of 2.38 times over 1978. The average deposit per savings account has increased 63.8 percent over 1978.

The proportion of fixed savings deposits has risen and the stability of deposits has increased. Of the savings deposits at the people's banks throughout the region, the proportion of fixed deposits has been steady at

82 percent or above. Of the fixed deposits, the proportion of long-term deposits has risen rapidly. The proportion of 3-year fixed deposits was 16.54 percent in 1979, which rose to 62.42 percent in 1982.

The proportion of savings deposits in the sources of credit funds for banks has increased. The proportion of savings deposits in all deposits at the people's banks throughout the province was 15.6 percent in 1979, which increased to 33.8 percent in 1982, becoming the major factor in the proportions. In 1982, the remaining sum of savings deposits was equivalent to 86.9 percent of industrial loans in the province as a whole. The increase in savings deposits in that year alone exceeded the total of all medium- and short-term equipment loans and capital construction loans.

Savings deposits in our region enter a new stage of development because of the following main factors:

The political situation is stable and policies have been implemented. According to the figures, during the First 5-Year Plan the average rate of annual increase in savings deposits in cities and towns in the region as a whole was 42.42 percent. During the decade of turmoil, the average annual rate of increase declined to 10.38 percent. Since the 3d Plenary Session of the 11th CPC Congress, our region has gained further political stability, the economy has been further readjusted, production has developed, income has increased, the masses of people are fully confident in the prospects of the national economy and on the basis of improving the standard of living they actively participate in savings.

The currency income of urban and rural residents has increased. In the last 4 years, the state has gradually regulated the ration between accumulation and consumption, increasing the wages of staff workers in cities and towns and expanding employment. In the countryside, various economic policies have been implemented which have increased the prices of some agricultural sideline products. These measures have promoted the growth of industrial and agricultural production, causing large increases in the currency income of urban and rural residents and continual improvement in their standard of living. According to the figures, the total wages of staff workers in 1982 increased 28.3 percent over 1979. The net income of peasants in 1982 increased 68.27 percent over 1979.

The party and government at all levels pay special attention to developing savings deposits. In these few years, banks have correctly implemented the policy on savings and have adhered to the principle of "voluntary deposits, freedom to withdraw money, deposits bear interests, savings accounts are kept confidential." They have changed the erroneous tendency that the lower the interest rate the better. The interest rate was increased three times between 1979 and 1982. In the region as a whole, the number of savings offices has increased more than twofold and that of the savings personnel more than fourfold.

FINANCE AND BANKING

EXPANDED CONFERENCE ON FINANCIAL INSPECTION IN NINGXIA REPORTED

Yinchuan NINGXIA RIBAO in Chinese 12 Nov 83 p 1

[Report by Yu Chunqun [7625 2504 5028]: "Strictly Guard Against the Financial Inspection from Becoming a Mere Formality; Small Leadership Groups for Financial Inspection in Ningxia Hold Expanded Conference"]

[Text] In the afternoon of 11 November, the people's government of autonomous region convened an expanded conference for the small leadership groups of the regional financial inspection. At the conference, responsible comrades of departments and bureaus in charge of financial inspection reported on the former phase of work in self-inspection. They all indicated that financial inspection should never become a mere formality and that we must use the "Resolution of the CPC Central Committee Concerning Party Consolidation" as the ideological weapon and prepare well for party consolidation through financial inspection.

In the middle of October, after all departments and bureaus in our region received the circular on launching financial inspection, several of the large departments and bureaus including the heavy industry department, light and textile industry department, commerce department and grain bureau set up small financial inspection groups one after another, held meetings of financial section chiefs and arranged for the work of financial inspection. Enterprise units and public agencies were first required to conduct self-inspection which was followed by rechecking and selective checking.

Vice Chairman Yang Huiyun [2799 1920 7189] of the autonomous region and government advisor Li Li spoke at the conference. They pointed out: all units that have not set up financial inspection organs must do so by 15 November. They must solemnly and earnestly conduct self-inspection in accordance with the spirit of concerned documents of the State Council and the autonomous region. They must be responsible for their work during self-inspection and cannot perform perfunctorily. Leading cadres at all levels must actively support financial work and dare to appraise themselves. Financial personnel at all levels must dare to confront difficulties and bring out problems and do their work impartially. Problems discovered in the course of self-inspection must be promptly corrected and one should not wait and see, which will affect revenue.

The small inspection group leader sent by the State Council to assist Ningxia in launching the financial inspection also spoke at the conference. He emphatically pointed out that this is the third large-scale national financial inspection and one which is different from the two previous ones. The present one coordinates with party consolidation and the crackdown on criminal activities in the realm of economics; it coordinates with making up deficits and increasing surpluses and the reorganization of enterprises. We must closely combine the reorganization of enterprises and financial inspection and cannot substitute the reorganization of enterprises for financial inspection. Moreover, we cannot use enterprise reorganization to conceal violation of discipline in financial work. The present financial inspection must be done well from start to finish and must not be done perfunctorily. Problems discovered in the inspection must be solemnly dealt strictly according to state stipulations. Whatever should be turned over to the state must be turned over to the state, whatever should be compensated for must be compensated for, whatever should be confiscated must be confiscated and whatever should be fined must be fined. We must not allow units and individuals take economic advantage by their violation of financial discipline. We cannot say much but do little, otherwise it will affect the prestige of the party and government and dampen the enthusiasm of the masses. During the inspection, we must investigate and affix the responsibility and administrative responsibility of those who violate financial discipline in accordance to law.

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FINANCE AND BANKING

GUANGDONG INSURANCE BUSINESS RAPIDLY DEVELOPING

Guangzhou NANFANG RIBAO in Chinese 8 Oct 83 p 2

[Report by Zheng An [6774 1344]: "Our Province's Insurance Business Is Developing Swiftly"]

[Text] In recent years, our province's insurance business has developed relatively swiftly. Presently, we have launched widely all kinds of insurance coverage at home and abroad, from the cities to the countryside, from the enterprise and business units to the individual households, and even to the masses and their families. Such an economic compensatory system of insurance has played an irreplaceable role in developing production and raising the economic results of the enterprises.

Since the implementation of "special policies and flexible measures," our province's economy has developed swiftly, and this has created favorable conditions for launching the insurance business. Toward the end of 1979 when our province revived the domestic insurance business, there was only one type of insurance, namely, enterprise property insurance. Now we have three main categories of insurance, namely, property insurance, liability insurance and personal insurance, which include 25 types of insurance, some of which are closely related to the livelihood of the masses of people, such as the two-party family property insurance, family property plus theft insurance, simple personal insurance, group insurance, pension plan, medical insurance and traveler's accident and injury insurance, as well as the compulsory vehicular third-party insurance that is approved by the provincial people's government. For over 3 years, over 32 million yuan of reparations have been paid at home, among which some 21.4 million yuan were reparations under the enterprise property insurance. This has enabled 1,120 enterprises to receive economic compensation and revive production. Last year, the reparations made toward losses due to the flood in Shaoguan and Zhaoqing prefectures were as high as 13.1 million yuan. On 7 June this year, a fire burned down half of the Guangzhou Table Tennis Plant. In order to assist that plant to restore normal production as soon as possible, the insurance company paid in advance 150,000 yuan even before that case was closed. Although it was estimated that it would take half a year to a year before this plant could restore production, with

the efforts of the cadres and workers throughout the plant, this plant was "brought back to life" in 2 months. The dependents of the 11 people who were killed in the "April 16P Panyu maritime affair received 33,000 yuan through insurance (each person received 3,000 yuan).

At the same time, our province has made full use of the favorable condition of being a neighbor to Hong Kong and Macau and of the superiority of the special economic zones to institute over 30 types of insurance that are related to foreign trade and foreign economic exchange, such as property insurance, personal insurance, liability insurance and promise obligation insurance (that is, political risks). With the successive development of the petroleum and natural gas resources in the Beibu Bay, Yingge Hai, and the basin of the mouth of the Zhu Jiang along the coastal region of the South China Sea, the provincial insurance company has provided insurance coverage for the French Total, the U.S. Arco and British BP enterprises, and will continue to do a good job of the various insurance service tasks that are needed during the stage of petroleum exploitation and prospecting and the stage of oilfield construction and production. For over 3 years, the income from the various insurance coverages abroad was over 118 million yuan in renminbi in foreign exchange, and the expenses in reparations were over 67 million yuan, thereby accumulating an impressive foreign exchange insurance fund for the state.

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FINANCE AND BANKING

STRENGTHENING OF CASH MANAGEMENT URGED

Beijing JINGJI RIBAO in Chinese 8 Nov 83 p 2

[Article by Du Zhiyu [2629 1807 1471]: "Cash Management Must Be Strengthened"]

[Text] Cash management is an important finance and economic system in China. Since the 3d Plenary Session of the 11th CPC Congress, in order to suit the policy of opening to the outside world and vitalizing the domestic economy, cash management has been correspondingly improved. In the past, units were only allowed to use cash for payment to individuals or occasional expenses, but now the use of cash by units has been broadened to include large transactions in production and circulation. Consequently, various types of cash receipts and payments in banks have greatly increased. Currently, the proportion of cash revenue from nationwide sale of commodities deposited at banks in the total turnover of retail trade in society has increased over that in 1978 by about 10 percent. After various forms of the production responsibility system were carried out in the countryside the proportion of the amount of cash drawn from banks for state purchase of agricultural sideline products in the total volume of agricultural sideline products purchased has increased over that in 1978 by about 30 percent. As cash receipts and payments expand in the banks, money supply in the market increases, thus playing an active role in developing production, expanding purchase and marketing, vitalizing the economy and making the urban and rural markets active.

However, some problems have risen from cash management work which deserve our attention, namely, quite a few enterprises and units use the excuse of vitalizing the economy, expanding management and practicing various forms of the production responsibility system to violate state provisions on cash management. They fail to deposit business cash revenue at the banks in accordance with stipulations but keep the petty cash as they please, or they swindle large sums of cash from the banks in the name of paying wages, purchasing agricultural sideline products and emergency need for production. Moreover, some units take advantage of certain loopholes existing in the work of the banks and transfer funds from the units in the system of ownership by the whole people to units in the system of ownership by the collective, from the units to the individuals, and then wheedle large amounts of cash. They spend petty cash and the large amounts of cash they have swindled and

wheedled on illegal purchase of commodities in short supply and commodities purchased in the state plan at high prices whereby they seek exorbitant profits; or they spend it on entertaining guests and buying gifts, private recruitment and indiscriminate hiring of staff workers, reckless issuing of monetary rewards and subsidies, and freely expanding the scope of welfare; or they spend it on bribery, smuggling and the sale of contraband. All these illegal activities not only affect the normal flow of market commodities but also increase irrational currency supply, expand the consumption fund, affect the stability of prices and bring dire consequences for social and economic life.

The people's banks in all areas must particularly deal with the above situation and strengthen cash management conscientiously. We should never practice leniency without strictness on this issue. We must strictly examine cash that is illegally withdrawn, particularly the large amounts of cash drawn by units in the newly established system of ownership by the collective, key construction units, rural production brigades and brigade enterprises. All economic transactions of uncertain origins, whose purpose is unclear, whose units are questionable and which violate state policy and plan should receive the necessary punishments. Their circumstances must be proven through investigation and they must be strictly controlled. No doubt, cash needed in normal economic activities must be paid in accordance to stipulations by proceeding from reality and seeking truth from facts.

In order to conscientiously strengthen cash management and make the urban and rural economy active, the people's bank in all areas must proceed from reality, evaluate and decide on the limit of cash reserve of each unit by being realistic and practical. Other than units which have been checked and approved by the bank for keeping petty cash with defined scope and limit, all other units cannot keep petty cash and must promptly deposit all cash revenue at the banks.

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FINANCE AND BANKING

BRIEFS

STATE TREASURY BONDS--According to the figures of concerned departments of Ningxia Autonomous Region, for the 1983 state subscription plan for state treasury bonds, by the end of September 16.62 million yuan in payment have been sent to the treasury, representing 99.52 percent of the target of the region as a whole. Conditions in completing the task of state treasury bonds is good throughout the province mainly because party and government leadership at all levels have paid special attention and because a great deal of propaganda and organizational work has been done by all prefectures and departments. The masses are highly enthusiastic; they have actively subscribed and made payments promptly. Both Longde and Xiji counties overfulfilled their targets at the end of July, 2 months ahead of time. In the portion for staff workers and individuals, cities and counties including Yinchuan, Shizuishan, Pingluo and Helan have overfulfilled their task of sending payments to the treasury by at least 6 percent. [Text] [Yinchuan NINGXIA RIBAO in Chinese 31 Oct 83 p 1] 9586

STATE TREASURY BONDS--By the end of October, Guangdong had overfulfilled the 1983 state quota on the subscription to state treasury bonds by 3.55 percent. After the task of purchasing state treasury bonds was handed down this year, the people of the cities and countryside in our province have carried forward the patriotic spirit, actively subscribed and made their payments enthusiastically, supporting the four modernizations program with action. With the exception of the units of organs and enterprises, many wealthy and specialized households do not fail to be patriotic when they become wealthy and have purchased large state treasury bonds on their own initiative. [Text] [Guangzhou NANFANG RIBAO in Chinese 8 Nov 83 p 1] 9586

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INDUSTRY

BRIEFS

LIGHT INDUSTRY GROWTH--China made a sustained and steady growth in light industrial production in 1983. Total output value topped 1982 by 7.3 percent and profits were higher than 1982. Rapid development of major, brand-name and new products was the characteristic of 1983 light industrial production. [Text] [Beijing Domestic Service in Mandarin 2230 GMT 13 Jan 84 OW]

CSO: 4006/278

DOMESTIC TRADE

FUJIAN OUTLINES PLAN TO MAKE UP DEFICITS, INCREASE SURPLUSES

Fuzhou FUJIAN RIBAO in Chinese 5 Nov 83 p 1

[Report: "Stress the Last 2 Months of the Year, Conscientiously Do a Good Job In Making Up Deficits and Increasing Surpluses; Fujian Economic Commission Suggests Five-Point Plan of Action Based On Telephone Conference of the Ministry of Commerce"]

[Text] On the evening of 2 November, the Fujian Economic Commission called a telephone conference which relayed the spirit of the emergency telephone conference called by the Ministry of Commerce concerning making up deficits and increasing surpluses by commercial, food, supply and marketing enterprises throughout the country. It demanded that commerce, food, supply and marketing departments at all levels and their subordinate enterprises throughout the province take prompt action, stress the last 2 months of this year, conscientiously do a good job in making up deficits and increasing surpluses of enterprises, assure the completion of the financial tasks of turning over revenue as specified by the province and strive to overfulfill the quotas.

The conference combined the actual conditions in our province and suggested a five-point plan of action to make up deficits and increase surpluses.

1. Commerce, supply and marketing and food departments at all levels and their subordinate enterprises throughout the province must earnestly implement the spirit of the conference, stress making up deficits and increasing surpluses as a major task and appoint special individuals to take charge. They must earnestly study and popularize the experience in making up deficits and increasing surpluses introduced by Anhui, Sichuan and other provinces and try every means to eliminate management deficits.
2. All concerned units must set up targets in making up deficits and increasing surpluses. Enterprises with deficits must strictly control their total amounts of deficits and targets must also be set up for management deficits which are under the cover of policy deficits, and set up "military orders" of making up deficits for departments in charge. Enterprises that are making profits must produce written guarantee of profits to be turned over in fulfillment or overfulfillment of their quotas.
3. We must seize the opportune moment of the current peak season in the markets, adopt various effective and flexible measures, expand purchase and marketing and earnestly arrange well for urban and rural markets. Commodities that should be purchased must be stressed and commodities that should be stocked must be

increased in stock. 4. We must strictly observe financial and economic discipline and do a good job in financial inspection. While making up deficits and increasing surpluses we must forbid fraud and falsifying reports on deficits and surpluses, otherwise we must investigate the responsibilities of leaders of enterprises and departments in charge. We must strengthen the control of commodity prices, forbid freely raising prices, lowering quality and prices, giving short measures and encroaching on the interests of the consumers. We must also be firm in putting an end to "evading cash registering" and solemnly deal with behavior of "eating, taking, evading and damaging." 5. We must swiftly organize our resources and follow the leader in inspecting the conditions of subordinate enterprises in making up deficits and increasing surpluses, make a bimonthly report to the provincial department in charge and send circulars on a regular basis.

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DOMESTIC TRADE

DEMAND FOR INDUSTRIAL GOODS UP IN NINGXIA COUNTRYSIDE

Yinchuan NINGXIA RIBAO in Chinese 3 Nov 83 p 2

[Report by Li Shouli [2621 1343 4539]: "Suit the Prospering Rural Market--Commerce Department of Ningxia Autonomous Region Stresses Supply of Industrial Goods to the Countryside"]

[Text] In order to suit the prospering rural market, the commerce department in our region is paying special attention to the sources of goods and going ahead of schedule in sending commodities to all grassroots commercial outlets in the countryside.

In order to do well in supplying commodities to the market in the busy season after the fall, hardware, general merchandise and textile corporations at the regional level successively held meetings on the ordering of goods at the grassroots level. Recently, general merchandise and textile corporations also held a meeting on making up goods and signed a contract for more than 2.6 million yuan. According to the figures, by September commodities with a total value of more than 75 million yuan had been sent to grassroots outlets in the countryside. Consumer goods sent to the countryside include low-voltage home-use light bulbs, electric meters, soda, television sets, bicycles and sewing machines which are in short supply; all types of cotton-padded shoes and hats, gloves, sweat clothes, woolen coats and other winter commodities; and other new products such as medium-sized watches and ball pens with digital clocks from Shanghai. The regional native fruit corporation has sent commodities with a value of more than 890,000 yuan, a twofold increase from the same period last year, which mainly include dried vegetables and condiments as well as Shaanxi green tea, scented tea and brick which commune members and the people like. The regional cotton and fabric household supply corporation has organized and sent more than 1 million yuan of fireworks for festivals, cooking and eating utensils, heating equipment and other household commodities.

The commerce department of the autonomous region demands that commerce, supply and marketing departments of cities and counties coordinate closely and do a good job in sending industrial goods to the countryside. Quotas of commodities in short supply and which are planned for the countryside must be guaranteed for fulfillment. Third-level wholesale departments must actively initiate conditions to facilitate the supply of goods at the grassroots level. Grassroots retail departments must correct their management mentality, expand the variety of goods they stock, and their actual variety cannot be less than the unit's greatest variety on record.

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CSO: 4006/157

DOMESTIC TRADE

RESTRUCTURING OF SUPPLY, MARKETING COOPERATIVES IN NINGXIA

Yinchuan NINGXIA RIBAO in Chinese 15 Nov 83 p 1

[Report by Jiang Hongliang [5592 7703 0081]: "Restructuring of Supply and Marketing Cooperatives in Ningxia Achieves Tangible Results; By Early October 229 of 233 Grassroots Supply and Marketing Cooperatives Throughout the Region Had Completed Restructuring, 7 Counties Had Restored Joint County Cooperatives, Forcefully Promoted the Completion of Various Tasks"]

[Text] Under the leadership of the party committee and government at all levels, the work of restructuring supply and marketing cooperatives in our region has achieved tangible results since the beginning of this year. By early October, 229 of the 233 grassroots supply and marketing cooperatives throughout the region had already been completely restructured and 7 counties had restored joint county cooperatives. Restructuring of the system has strengthened the mass character of the organization, the democratic character of control and flexibility in the management of the supply and marketing cooperatives.

In this particular restructuring of the system, all grassroots supply and marketing cooperatives have earnestly cleared up the original share payments of commune members, implemented the rights of shares and returned both principal and dividend and safeguarded the economic interests of commune members. At the same time, on the basis of clearing up the old share payments, the masses were encouraged to invest in shares. Shareholding peasant households in the region as a whole now number over 371,000, or 74.8 percent of the regional total, with an increase of 2.02 million yuan in shares. Supply and marketing cooperatives at all levels have also formulated regulations through a congress of shareholding commune members which democratically elected leading organs and leading personnel, selected and brought into the leadership a group of comrades who are in their prime, know their professions and have administrative skills. The average age of the newly elected chairmen and vice chairmen of grassroots supply and marketing cooperatives in the region as a whole has decreased from 43.8 to 39.9 and those with an educational level of senior middle schools or above have increased from 34 to 61 persons.

After the restructuring of the system, the attitude toward production in all supply and marketing cooperatives has been strengthened and support

of rural commodity production is treated as a primary task. The supply and marketing cooperatives of Guyuan and Haiyuan counties provide prompt economic information for commune members and have helped commune members to cultivate more than 7,000 mu of fennel. The supply and marketing cooperatives of Helan, Qingtongxia and Longde counties have issued 180,000 yuan in aid to help resolve the difficulties of commune members in production by transferring in a fine breed of rabbits, chicken, wolfberry seedlings, red melon seeds and fennel seeds. Supply and marketing cooperatives at all levels pay attention to helping specialized and key households to do well in production. Some grassroots supply and marketing cooperatives of Guyuan, Jingyuan and Helan counties helped support more than 1,200 specialized and key households in raising rabbits, chicken, fish and cultivating medicinal materials. Some supply and marketing cooperatives and some communes and collectives have launched joint management of production, purchase and marketing and processing, which vigorously promoted the development of the commodity market.

Through restructuring of the system, the completion of various tasks has been strongly promoted. By the end of September the total value of the purchase of agricultural sideline products completed in the regionwide system of supply and marketing cooperatives was 32.92 million yuan, an increase of 27.4 percent over the same period last year. The net sales completed was 248.46 million yuan, an increase over the same period last year by 7.8 percent.

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DOMESTIC TRADE

CONFERENCE ON ECONOMIC THEORY OF GOODS, MATERIALS REPORTED

Changsha SHICHANG TIAOJIE in Chinese 5 Nov 83 p 1

[Report by Yu Ailing (0151 1947 5391): "Initiate a New Situation for the Work in Goods and Materials. Study the Economic Theory of Goods and Materials in Depth; Five Central and Southern Provinces (and Regions) Hold Conference on the Economic Theory of Goods and Materials"]

[Text] The third conference on the economic theory of goods and materials of the five central and southern provinces was held in Changsha from 20 to 25 October. A total of 74 people attended the conference including the comrades in charge of the Chinese Economic Association on Goods and Materials, representatives of the State Bureau of Goods and Materials, research personnel of the Chinese Social Science Institute and concerned leaders, specialists, professors and workers in goods and materials. The conference heard 4 academic reports on such aspects as restructuring the circulation of goods and materials and enhancing the economic results of the circulation of goods and materials and had received 33 essays.

In the discussions, the comrades dealt directly with the reality of the circulation of goods and materials in each province, combined theory and practice and put forward their own views which can be summarized in three aspects as follows.

Concerning the Question of Economic Results of the Circulation of Goods and Materials. Everyone believed that although the realm of circulation of goods and materials does not create surplus products, it can realize the value of surplus products and promote smooth progress of expansion and reproduction in the realm of production. At the same time, the realm of circulation of goods and materials reduces labor consumption and use by labor, reduces the expense of circulation and can provide accumulation for the state. Consequently, increasing the economic results of the circulation of goods and materials has economic significance. There are four different views on expressing the economic results of the circulation of goods and materials, namely, the comparison of net income between labor consumption and the consumption of goods and material in the course of circulation of goods and materials; comparison of labor consumption and labor use with the degree of social needs satisfied; and using the least labor consumption and use by

labor to transfer even more means of production which accord with social needs. When they touched on the relationship between the microeconomic results of goods and materials enterprise and the macroeconomic results of the whole society, they believed that their relationship had its harmonizing and centralizing as well as contradictory aspects. How we should properly resolve this contradiction awaits further study.

Concerning the Question of Overall Balance of Goods and Materials. A more unanimous view was that overall balance of goods and materials is the key to doing well in the overall balance of the national economy and is a prerequisite for doing well the circulation of goods and materials. To achieve overall balance of goods and materials we must be active and reliable; we must achieve balance in light of shortages and must have leeway. However, for many years the actual conditions have been that among goods and materials there are often more goods in short supply, the gap is large and supply is tense. The cause of the above conditions as some comrades suggested are, from the standpoint of theory, due to past divergence in understanding balance and imbalance. For a long period of time, it was believed that imbalance was absolute and balance was relative. Consequently, in formulating the plan for national economic development the law of imbalance was used as the basis. However, balance and imbalance are the unity of opposites. In terms of the demands of the nature of the national economy, balance is an objective law that does not change with the people's will. Proceeding from such a theoretical understanding, we must use the law of national economic balance as the basis to carry out overall balance of goods and materials.

Concerning the Question of Restructuring the Circulation of Goods and Materials. Some comrades suggested that in the control of the circulation of goods and materials according to the administrative system with administrative divisions and administrative levels, corrupt practices are the manmade "barriers between levels in the central authorities," "barriers between higher and lower levels," and "barriers between the cities and countryside." Its concrete manifestations can be summarized as "rigid, fragmented and confused." The ultimate consequence is the creation of poor economic results. It was unanimously believed that the way to change this is to use cities as support and organize local or nearby circulation of goods and materials according to economic regions and rational flow, build a system of circulation of goods and materials with goods and materials departments as the main channel; we must combine administrative measures with economic measures, and primarily use economic measures to control the circulation of goods and materials. In the speeches, it was stressed that restructuring of the system must follow three principles: first, adhering to the socialist orientation in operating the means of production; second, adhering to the principle of a planned economy in the main, with market regulation as supplementary; and third, adhering to harmony of the interests of all sides, and correctly handling the relationships between central and local authorities, state and enterprises.

As a result of this conference, understanding was increased, experiences were exchanged and there was mutual enhancement. In this way a preliminary study was made for initiating a new situation for the work in goods and

materials and creating the subject of socialist economics of goods and materials that has Chinese features. The conference also made plans for next year's activities in studying the economic theory of goods and materials by the five central and southern provinces (and regions).

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DOMESTIC TRADE

UPHOLDING NEGOTIATED PRICES FOR COUNTRY FAIR COMMODITIES URGED

Beijing JINGJI RIBAO in Chinese 15 Sep 83 p 4

[Article by Wu Shizhong [6762 2514 6088]: "We Must Not Arbitrarily Restrict Prices of Country Fair Commodities"]

[Text] Country fair trade has become an indispensable supplementary channel in the realm of circulation in the urban and rural people's lives. It has correctly applied the role of the law of value in promoting production, regulating supply and demand and satisfying the needs of the masses' production and livelihood.

Some comrades still have an inadequate understanding as to how to fully apply the role of the law of value and equate country fair trade with state-run commerce. They hold that the prices of country fair commodities should not be higher than the quoted price of the state-run commerce. Thus, some localities have adopted administrative measures, taken the quoted price of the state-run commerce as the basis, and arbitrarily restricted the prices of the country fair commodities. This method of work is not in accordance with the objective reality.

The law of value is the law of the commodity economy. In light of the characteristics of the law of value, the exchange of country fair commodities has throughout history been carried out on the basis of negotiated prices agreed upon by the buyer and seller. As early as September 1959, in the "Directive Concerning the Organization of Country Fair Trade," the central authorities and the State Council pointed out that: The prices of those scattered and trivial commodities can be fairly negotiated between both parties. In September 1962, the "Decision Concerning the Problems in Commercial Work" further stipulated that: The prices of country fair trade should be negotiated on a rational basis between the buyer and seller. It has extended the scope of negotiated prices from the scattered and trivial commodities to include all the commodities that are permitted to be put on the market. Since the Third Plenary Session of the 11th CPC Central Committee, the "Provisional Regulations on Commodity Price Management" issued by the State Council and other concerned regulations again reiterated that: The prices of the agricultural sideline products of the urban and rural fair trade will be negotiated between the buyer and the seller within

the scope permitted by the state policies and decrees. The scope permitted by the state policies and decrees mentioned here refer to the commodities that are permitted to be put on the market. As long as one does not engage in deceptive acts and dominate the market, monopolize the prices or force up commodity prices, the buyer and seller can freely conclude transactions and agree upon negotiated prices.

The country fair trade is different from the activity of the state-run commerce and the supply and marketing cooperatives. It is not a planned market but free trade among the people. The state-run commerce and supply and marketing cooperative must strictly implement the state plans and price policies. The commodities of the country fair trade primarily comes from that portion of products which the peasants can arrange freely. In light of the whole country, the products of the individual constitute around 70 percent of the volume that is put on the market. Besides grain, hogs and eggs, which have to be delivered to the state, and cotton, which is not permitted to be put on the market, a considerable portion of products do not have to be delivered to the state. Even then, the peasants still have the right to bring those products that have to be delivered to the state and the country fair for sale after they have fulfilled the delivery tasks. After fulfilling the task of delivering products to the state and the task under contract, with the exception of cotton, the peasants have the right to bring the products from the farms, the livestock rearing grounds and the fishery grounds to the country fair for sale. This reflects the situation in which the collectives and individual peasants have the right to do business as well as the right to carry out sales and fix prices within the scope permitted by the state policies.

The country fair commodities are generally small in quantity and scattered in variety. In particular, such fresh and live commodities as vegetables, fruits, small fish and shrimp as well as seedlings cannot possibly have unified prices. Furthermore, because of the changes in supply and demand, the same commodity will have different prices at different country fairs; and even at the same country fair, there may be different prices in one day. These conditions determine the fact that country fair commodities can only be sold at prices negotiated between the buyer and seller and cannot be fixed in a unified manner by the state. Under the circumstances when there is a gap between the supply and demand of a commodity, arbitrarily fixing the prices of all the agricultural sideline products according to the prices of the state-run commerce is not only impossible but also unfavorable to production and consumption. At present, the various provinces, municipalities and autonomous regions throughout the country have reduced the varieties of the assigned procurements, increased the three categories of commodities, and implemented free purchase and sales and free prices, all for the purpose of applying in a better manner the law of value, promoting production and enlivening the urban and rural markets.

The implementation of negotiated prices in country fair trade is also favorable to overcoming the style of "government-run commerce." The country fair trade is a "thermometer." Through the prices of the country fair trade, people can find out from indirect sources the speed of production development, the level of society's purchasing power as well as the situation of supply and demand of the state-run commerce. This economic news not only can help the concerned leading personnel understand the market condition and have a good grasp of the all-round situation, but can also urge on the commercial sectors to improve work and raise their service quality.

At present, how should we look at this problem that the prices of the country fair commodities have gone up to some extent again? In light of the whole country, since the latter half of 1977 to the first half of 1980, the prices of the country fair trade have been dropping consecutively. After that, the prices, though steady, have dropped, and have only begun to go up again by the latter half of 1981. The prices of grain, edible oil and oil-bearing products have all along remained basically stable. Basically, the reason why the prices have gone up again is because society's purchasing power is continually growing. Because the supply of commodities does not correspond to the demand, a portion of the purchasing power has been shifted to the country fair. On the other hand, the readjustment of the purchase and sales prices of the agricultural sideline products by the state-run commerce and supply and marketing cooperatives has affected the country fair. Some state-run and supply and marketing commercial enterprises and small peddlers have come in large numbers to the country fairs and rural areas to engage in negotiated purchases in an inappropriate manner. This has artificially raised the prices of a portion of country fair commodities. Furthermore, after the rural areas have implemented the system of responsibility in production, the scope of adjustment between surplus and shortage among the commune members has been expanded, which also has affected the prices of a portion of the commodities. For instance, the prices of timber and small farm tools have been inflated as a result of the increase in demand.

How should we attain the goal of persevering in negotiated prices for the country fair trade and at the same time making sure that the prices are not too much higher than the quoted prices of the state-run commerce? Practice has proved that the most effective method is to start with production. While absolutely not relaxing grain production and while ensuring the acreage of grain, we should engage in diversified undertakings on a large scale and develop agriculture, forestry, animal husbandry, sideline occupation and fishery in an all-round manner. When production has been developed, and when we have more things, prices will drop. We have failed in the past to emphasize prices in controlling prices, and will not be able to do so in the future either. Another method is to control group purchasing power. We must not permit government organs, groups, enterprise and professional units to go to the rural areas and country fairs to force up prices and carry out rush

purchases. The state-run commerce and supply and marketing cooperatives also must not compete with the civilians in purchasing goods. Still less, they must not engage in negotiated purchase with prices that are higher than the country fair, and must not carry out bulk purchase of the first category and second category agricultural sideline products before fulfilling the state purchasing tasks. The urban and rural small peddlers and the individual commune members who are engaged in the transportation for sale of agricultural sideline products must not monopolize the market and force up commodity prices. We must strictly prohibit such illegal activities as giving short measures, adulteration, fraudulent purchase and reselling at a profit. We must deal resolute blows at those who engage in deceptive acts and dominate the market and those who force up prices. In order to stabilize the market and protect the interests of the consumers, the market management departments must strengthen supervision and inspection, and at the same time mobilize the masses to carry out supervision and persevere in managing well and enlivening the country fair trade.

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DOMESTIC TRADE

GROWTH OF SHANGHAI'S SMALL COMMODITY FAIRS REPORTED

Shanghai JIEFANG RIBAO in Chinese 21 Nov 83 p 1

[Interview with Zhu Gang [2612 0474], Acting Director of the Industry and Commerce Bureau, by Huang Jiasheng [7806 0857 3932]: "Marketing Operations Remain Active After Reorganization and Cleanup--Shanghai's Small Commodity Fairs Develop Healthily--Acting Director of Industry and Commerce Bureau Stresses Suitable Development of Individual Trade and Commerce As a Long-Term Policy"; date and place not given]

[Text] What is the current state of Shanghai's small commodity fairs after the former phase of reorganization and cleanup, and are marketing operations as active as before? These are questions of concern to many readers. Some time ago, this report interviewed the acting director of the municipal industry and commerce administrative and management bureau, Zhu Gang, on this question.

Current State of Small Commodity Fairs

Comrade Zhu Gang said: "I have also heard opinions in this regard. Some people say that after reorganization and cleanup, the number of stalls has decreased and the volume of sales has dropped. Some people even believe that we have once again returned to the old way of 'invigorating when the policy is flexible, stifling when it is rigid.'" He said candidly: "But the facts are precisely to the contrary. The small commodity fairs are now even more active and healthy and they have further developed compared to the time prior to reorganization."

Zhu Gang reviewed and analyzed the formation and evolution of Shanghai's small commodity fairs. Individual small retailers began by setting up stalls in streets and lanes and hawking their wares. Fixed stalls were developed and markets were formed. By the end of June this year, the number of fixed stalls in just 15 small commodity fairs in the municipality totalled 2,931 with a monthly business volume of more than 6.7 million yuan. He said: "Most of these individual small retailers are able to follow socialist orientation in management, submit to control, adhere to law and discipline, are concerned with their reputation and have fair prices. But some people occupy an unworthy place among them. They violate state policies, laws and

decrees, operate without a license, hawk their wares on the spot, evade taxes and fees. They even form rings, act high-handedly and tyrannize the fairs, which not only hurt the interests of the state and the masses but also ruin the reputation of those who are in individual industry and commerce."

At this point he opened a drawer and took out some documents. Pointing at some figures he said: "In the third quarter in this year we reorganized the small commodity fairs with the revenue, public security and other departments in accordance with the concerned regulations. We successively banned almost 200 unlicensed peddlers and over 700 illegally-hired 'helpers,' investigated and dealt with more than 650 different cases of violation of rules, regulations and law, and detained and took in over 100 people for examination. This was an extensive education for those involved in individual industry and commerce on the adherence to law and discipline and clearly improved order in the markets. It is true that for a period of time there was a decrease in the number of stalls and the market volume. But this was normal. Our policy is to enliven the market but it must be 'active and not disorderly.' After the reorganization and cleanup, unlawful elements have been smashed and those who properly engage in individual industry and commerce have a relatively stable environment. Moreover, with the concern and support of concerned quarters, the market is able to develop even more healthily. The facts are indeed as such. As soon as the sales volume of most fairs declined it went back up very quickly. It is our understanding that in the 2 months of July and August, sales volume of individual retailers decreased by 50 percent from the average in the first half of the year. In September it easily rose to 42 percent and in October it went up by another 7 percent, which was close to the level prior to reorganization."

Reorganization Has Brought Definite Changes

What are the notable changes before and after reorganization of the small commodity fairs?

"According to reports, in the course of reorganization concerned departments had conducted educational activities on adherence to law and discipline and civilized pursuit of commerce among individual households in industry and commerce on at least 100 occasions, enabling many people to clearly understand the difference between operating a business legally and illegally." Comrade Zhu Gang said: "Most of the small retailers who conduct their business legally welcome the recent reorganization. In the course of reorganization, we also understood that quite a few individual households in commerce were strongly welcome by the masses. Some have been commended as district advanced workers and some have attended district people's congresses as nonvoting delegates. This sufficiently explains that individuals in industry and commerce and other laboring people receive the same respect from the masses and the concern of the party and government."

Prospects Depend Only on Adherence to Law and Discipline

Comrade Zhu Gang emphatically pointed out: "Developing individual industry and commerce appropriately is a long-term policy. The 'Circular Concerning

the Strengthening of Market and Price Management' issued by the State Council and related regulations issued by the municipal government will be the standards for the future work of strengthening market management. No doubt, strengthening management is not a goal in itself, and the goal is to enable individual industry and commerce to develop in a healthier manner thereby further vitalizing the economy." Zhu Gang believes that: "Among the problems that have risen from individual households in trade and commerce, other than the unlawful activities of a small number of unlawful elements, the majority normally do not study enough and do not understand the party's policies." He said: "The party and government are fully certain about the place and role of individuals in industry and commerce. Their prospects of development are good only if the broad masses of individuals in industry and commerce establish the mentality of serving the people, adhere to the socialist orientation in management, submit themselves to control, abide by law and discipline, succeed in operating with the license clearly displayed, mark their prices clearly, pay taxes according to the law, pay fees according to rules and regulations and strictly carry out various laws and decrees on policy as stipulated by the state."

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DOMESTIC TRADE

PRC RURAL MARKETS DEMAND MORE COMMODITIES

HK081159 Beijing JINGJI GUANLI in Chinese No 11, 5 Nov 83 pp 47-49

[Article by Ma Chenghang [7456 2052 3801]: "Grasp the Changes in Rural Markets and Do a Good Job in the Supply of Goods"]

[Text] The rural market is an important component part of the unified market of the whole country. More than half of the total social commodities go to the rural areas. Manufactured goods, in particular, have the rural areas as their principal market. Thus, it is of tremendous importance to the development of the urban and rural economies for us to grasp the changes in the rural markets and properly arrange the supply of goods.

New Changes in the Rural Markets

Judging from the situation in the first half of this year, there are the following new changes in the rural markets:

1. The cash income of the peasants has increased and the time in which people utilized their purchasing power is more evenly distributed.

In the first half of this year, the peasant's income from the sale of farm and sideline products rose by 1.37 billion yuan, or 4.8 percent, compared with the corresponding period last year. Their income from labor services also showed a considerable increase. According to a survey of 100 peasant households in Dali County, Shaanxi Province, income from labor services in the first 5 months of this year was up by 80 percent compared with the corresponding period last year. In the past because the earnings of communes and brigades were mainly distributed in the summer and fall seasons, the peasants also received and spent their cash in those two seasons. With the institution of the production responsibility system, there is no longer any time restrictions on the allocation of the peasant labor force and on the selling of farm and sideline products. The peasants have cash income at all times, and they can draw on the money at any time to buy goods to meet their production and livelihood needs. Thus, there is no longer a marked distinction between the busy and slack seasons in the market.

2. Since the cash income of individual peasants varies considerably, the gap between their purchasing power is widening.

In the past when the method of evaluating work and allotting workpoints was used in calculating payment for labor in the rural areas, the disparity in income was quite small. With the implementation and gradual perfection of the system of responsibility for agricultural production, the number of specialized households and households doing specialized jobs has increased in the rural areas. Some peasants took a shorter time to become rich. Thus, the gap is widening between the purchasing power of individual peasants. According to a survey of the Jiangzhen supply and marketing cooperative in Chuansha County, Shanghai Municipality, at the 1982 year-end distribution (in which goods in kind were also included), 16 percent of the total number of households in the cooperative had an income of more than 2,000 yuan, 51 percent of the households earned less than 1,000 yuan, and 33 percent of the households earned between 1,000 yuan and 2,000 yuan. Because the peasants do not have the same purchasing power, their psychology and requirement also vary when it comes to buying things. Households with a higher purchasing power exercise their choice more when they buy things. They also want more top-grade goods of superior quality. Households with a lower purchasing power usually demand popular, low-priced, and practical goods. Those in between want both popular commodities as well as intermediate and top-grade goods. Thus, the commercial departments must include some intermediate and top-grade goods in the shipments when organizing the supply of commodities. But, more importantly, they must pay attention to organizing the supply of popular goods of dependable quality in order to meet the needs of different consumers.

3. The areas in which people turned their purchasing power to good account have changed considerably.

First, the sales volume of the means of agricultural production is still growing at a faster rate than that of the means of livelihood, but the rate of growth has been reduced. In the first half of this year, the volume of the retail sales of the means of agricultural production showed a 9 percent increase over the corresponding period last year. This rate of increase was higher compared with the volume of retail sales of the means of livelihood at and below the county level, but lower compared with last year's 12 percent increase over the preceding year. The drop in sales volume was mainly due to the inadequate supply of certain means of production, such as chemical fertilizers and pesticides.

Second, there is an all-round growth in the sales of consumer goods and new changes can be seen in the sales of clothing and daily necessities. In the first half of this year, the volume of the retail sales of the means of livelihood at and below the county level showed a 6 percent increase compared with the corresponding period last year, with sales of marketable pure cotton fabrics declining and those of chemical fiber fabrics going up by a big margin. In the first half of this year, pure cotton cloth sold by the state-owned commercial enterprises and supply and marketing cooperatives to the rural areas was 20 percent less compared with the corresponding period last year, while medium- and long-fiber fabrics and polyester cotton sold registered increases of more than 100 percent and 40 percent, respectively. This was due to changes in

the way people dress as a result of price readjustments and the rise in the peasants' standards of living. As for commodities for everyday use, the sales of the "three conventional articles" (i.e., bicycles, sewing machines, and wristwatches) have gone sluggish with the exception of famous brand names. On the other hand, durable goods like television sets, tape recorders, and electric fans are selling very well in the rural areas. In the first half of this year, bicycles and wristwatches sold by state-owned commercial enterprises and supply and marketing cooperatives to the rural areas only showed increases of 18 percent and 7.4 percent, respectively, much less compared with the growth rates attained in the corresponding 1982 period. Sales of sewing machines not only did not show any increase but registered a 23 percent decline. On the other hand, sales of television sets rose by 27.3 percent, or 387,000 sets, and sales of electric fans and tape recorders registered increases of 29.4 percent and 140 percent, respectively, compared with the corresponding period last year.

4. There are more channels of commodity circulation in the rural areas. Business involving collective and individual commerce is booming, while retail trade conducted by supply and marketing cooperatives is becoming relatively less important.

Under the guiding principle of doing business in an open way and through a variety of channels, commercial networks of diverse economic sectors and forms of management are developing very rapidly. According to incomplete statistics, by the end of June this year, there were as many as 1.8 million licensed individual traders and peddlers in the rural areas throughout the country, an increase of 175 percent compared with the corresponding period last year. As reported by the commerce department of Zhejiang Province, there were 113,000 households of licensed individual traders and peddlers in the whole province by the end of June this year, and increase of 460 percent compared with the corresponding period last year. As many as 126,000 people were actually engaged in the work. Individual commerce is characterized by flexible and diverse economic forms and management, methods, greater freedom in fixing prices, better service, and greater competitive power. According to statistics compiled by commerce bureaus and supply and marketing cooperatives of 26 counties, the volume of retail sales of collective commerce at and below the county level in the first 5 months of this year showed an increase of 15.6 percent, while that of individual commerce jumped up by more than 100 percent compared with the corresponding period last year. In the first half of this year, turnover from retail sales of consumer goods of the grassroots-level supply and marketing cooperatives was reduced by 1.2 billion yuan, or 5.2 percent, compared with the corresponding period last year. Its proportion in turnover from retail sales of consumer goods at and below the county level also dropped from 58.3 percent in the first half of last year to 52.3 percent.

With the development of the rural commodity economy and the gradual formation of a system of circulation characterized by diverse economic forms, varied management methods and more channels of circulation but with fewer levels of management, the excellent situation of having a thriving and brisk rural market is being further strengthened and developed. However, this has also produced a number of problems which merit attention. The first of these problems is that the price of certain commodities has gone out of control. The same commodity

may bear different price tags even in the same region. This is true of consumer goods as well as agricultural means of production. The situation is particularly serious with carbamide, a chemical fertilizer. Some individual traders and peddlers have seriously violated the state's pricing policy. The second problem is that the individual traders and peddlers are unevenly distributed. Most of them are in towns while only a small number of them in the remote mountain areas and the coastal areas. The third problem is that some commodities are very poorly stocked and have not met the requirement of keeping a reasonable reserve. At the end of June this year, goods kept in stock in the grassroots-level supply and marketing cooperatives throughout the country were 1.2 percent less than in the corresponding period last year. The stock of chemical fertilizers, gasoline, kerosene, diesel oil, edible sugar, matches, television sets, and other commodities is dwindling in the rural retail trade. Even state-run wholesale trade is not well stocked.

The Trend of Changes in the Rural Market

This year, rural purchasing power was originally estimated to be 170.4 billion yuan, which is 13.2 billion yuan, or 8.4 percent, more than in 1982. In view of the bumper harvest of summer crops and the fact that autumn crops are coming along fine, more cash will be involved in the purchase of farm and sideline products than was originally envisaged. With the increase in the number of specialized households and households doing specialized jobs and the further raising of the marketable rate, and [word indistinct] more peasants participating in labor services, peasants' income from labor services and rural purchasing power will both top their respective plans. It is estimated that 82.55 billion yuan will be spent on purchasing in the [word indistinct] areas in the first half of this year. Of this, 22.11 billion yuan will be spent on agricultural means of production, an increase of 9 percent compared with the corresponding period last year; 60.44 billion yuan will be spent on consumer goods, a 12 percent increase over the same period last year. According to the original plan, 87.85 billion yuan will be spent in the second half of the year after deducting the amount realized in the first half of the year. If the part in excess of the plan is to be included, about 90 billion yuan will be spent in the second half of the year. If we look at the reserve of commodities, we will notice that we now have a smaller stock of goods, that the stock mix is not altogether reasonable, and that there is a lack of marketable goods. From January through July, the value of light industrial production rose by only 6 percent over the same period last year, which is way below the growth rate of the sales of manufactured goods for daily use. The growth rates of marketable goods like bicycles, television sets, chemical fiber fabrics, sugar, chemical fertilizers, diesel oil, gasoline, kerosene, and matches are low. Some items even reported decreases rather than increases. Thus, it is an arduous task to strike a balance between supply and demand in the rural markets in the second half of the year.

Based on investigation findings, it is forecast that the trend of utilization of the rural purchasing power will remain the same as before, that is, it will go to the means of production, building materials, and the means of livelihood. This trend has the following characteristics:

1. There is a great demand for agricultural means of production of a high quality. It is forecast that 20.5 billion yuan will be spent on agricultural means of production in the second half of this year, an increase of 9 percent over the corresponding period last year. The order of priority of demand is: 1) Chemical fertilizers, diesel oil, pesticides and plastic sheets for agricultural use; and 2) small and medium-sized farm tools and spare parts and fittings for them. At present, what the peasants need most are chemical fertilizers of good quality, such as carbamide, ammonium sulphate, and ammonium phosphate, and pesticides which are exceedingly effective but contain a low poison content, as well as diesel oil.

2. There is a great demand for building materials for civil use, but the gap between demand and supply is quite big. Investigation findings show that the number of rural households wanting to build new houses will continue to grow in the second half of this year, and money spent by the peasants on building materials will account for about 10 percent of the purchasing power to be utilized on consumer goods in the second half of the year, an amount which will amount to some 6.95 billion yuan. Although the state has adopted a number of measures in connection with building materials needed by the peasants, they fall far short of the demand of the peasants. Supply of timber, steel products, cement, and glass is particularly scarce and fall far short of the needs of the peasants.

3. There is an all-round increase in the demand of consumer goods for daily use and the increase will be bigger than that attained in the first half of the year. It is forecast that 69.5 billion yuan will be spent on consumer goods in the rural areas in the second half of this year, an increase of 14 percent over the corresponding period last year, as against a 12 percent increase attained in the first half of this year.

There is a marked increase in the demand for edibles and quality requirements are going up. It is forecast that the demand for tobacco, wine, sugar and tea in the rural areas will generally go up in the second half of the year, and sales will increase by more than 10 percent. There will be even bigger increases for pastries, snacks and food for children.

Sales of clothing and chemical fiber fabrics will continue to thrive. In particular, sales of synthetic fabrics of medium-length fibers and long fibers and cotton polyester will top the first half of the year. Woolen material and plush are very popular among the young people in the rural areas. Sales of cotton knitwear are quite stable, and orlon knitwear continues to sell well in the rural areas.

Sales of other consumer goods for daily use will continue to increase, and new products and new designs will sell faster than other items. Durable goods like television sets, electric meters for domestic use, brand name bicycles and sewing machines remain popular. Due to a shortage of raw materials and the huge demand, lead wire, round nails, domestic hardware, matches and sundry goods made of bamboo and wood in the rural markets is likely to be in short supply this winter and the coming spring season.

As for fuel, there has been a great demand for gasoline, diesel, and kerosene in the rural areas in the second half of this year, and the increase in demand will be bigger than in the first half of the year. This is mainly because floods usually occur in the latter half of the year and more fuel oil is needed for rescue purposes. Autumn harvesting and sowing will also add to oil consumption. However, because of the small increase in the supply of these types of fuel oil to the rural areas, a shortage will still be felt in the second half of the year.

Do a Good Job in the Supply of Rural Commodities to Meet the Needs Arising From Changes in the Market Situation

In light of the special features of the rural markets in the first half of this year and the trend of development in the latter half of the year, and in order to properly arrange the supply of goods for the brisk rural markets this winter and next spring, it is first necessary to help the commercial workers clearly see the market situation. Some comrades have become blindly optimistic because the supply of goods has improved in the last couple of years. In order to achieve better economic results, some commercial enterprises have resorted to the simplistic method of reducing the stock of goods to speed up capital turnover. Because they are more afraid of overstocking than of goods being out of stock, they do not actively organize the supply of goods. The vast number of commercial workers must realize that in view of the shortage of commodity supply and the gap between demand and supply, the only way that they can properly organize market supply is to produce and purchase more marketable goods. The fundamental way for an enterprise to achieve better business results is to increase purchases and sales. Thus, wholesale departments at all levels must actively promote and guide production. With goods in abundant supply, the production departments must carry out production according to plan and the commercial departments must buy according to plan. With goods in short supply, the production departments must strive to increase production and the commercial departments must strive to buy more in order to maintain a reasonable stock of goods and meet the needs of the retail departments.

Second, we must continue to smooth out the commodity circulation channels between town and country and do a good job in delivering manufactured goods to the rural areas. State-run commerce must work closely with the supply and marketing cooperatives, distribute goods in short supply to town and country in accordance with the principle of "two priorities," and properly map out and implement plans for delivering principal manufactured goods to the rural areas. State-run wholesale enterprises must take the initiative to find out how the retail enterprises and grassroots-level supply and marketing cooperatives work, properly dovetail the plans for replenishing stock and for sales, improve service and measures relating to service, and make things convenient for the retail enterprises and the grassroots-level supply and marketing cooperatives to replenish their stocks. Retail enterprises and grassroots-level supply and marketing cooperatives must support the wholesale enterprises, overcome the mentality of laying more emphasis on big items than on small items and of dreading the idea of overstocking more than the thought of goods being out of stock, actively replenish their stock, and increase the variety of goods sold. In light of the actual conditions of various localities, all kinds of effective methods should be adopted to increase the supply of manufactured goods to the rural areas.

Third, we must strengthen market management and stabilize market prices. We must give full play to the role of state-run commerce and supply and marketing cooperatives, actively increase purchases and sales, and enlarge the scope of business in order to ensure stability in the market supply. In conjunction with the industrial and commercial administrative departments, we must strengthen market management and resolutely ban traders and peddlers who operate without licence. Those who violate the state's pricing policy and disrupt market order must be seriously dealt with.

CSO: 4006/283

FOREIGN TRADE

BANK OF CHINA IN CHENGDU SUPPORTS TECHNOLOGICAL TRANSFORMATION

Chengdu SICHUAN RIBAO in Chinese 9 Nov 83 p 2

[Report by Tong Mingfu [0781 2494 1381]: "Support Technological Transformation, Promote the Four Modernizations Program; Increase of Special Foreign Exchange Loans by Chengdu Branch of Bank of China Is Welcomed by Enterprises"]

[Text] In order to support enterprises in our provinces to introduce advanced technology and equipment from abroad and to speed up the four modernizations program, the Chengdu branch of the Bank of China has increased the availability of special foreign exchange loans and is welcomed by enterprises. At present, 57 enterprises have already applied to the bank and 27 have been approved with a total amount of \$7.5 million which will introduce 275 units and sets of equipment from Great Britain, France, Japan, Switzerland, the United States and Italy, thereby strongly supporting the technological transformation of these enterprises.

In the past, the recipients of foreign exchange loans made by the Chengdu branch of the Bank of China were limited only to enterprises with foreign exchange income and the scope was relatively narrow. In order to utilize foreign exchange loans vigorously, the Chengdu branch started the special foreign exchange loans during the second half of last year. These loans are divided into types A and B. Type A special foreign exchange loans lend foreign exchange which is exchanged for RMB at the state specified rate. They are used inside China and are repayable in foreign exchange. This type of loan is suitable for use by enterprises which have foreign exchange but are short of RMB. Type B special foreign exchange loans lend foreign exchange for the import of equipment, are repayable in RMB and are suitable for use by enterprises which lack foreign exchange but have RMB. For example, the current glassblowing equipment of the Chengdu Lightbulb Plant is obsolete, has low efficiency and high rate of waste, and needs foreign exchange to introduce advanced equipment from abroad for technological transformation. Since this plant had no sources of foreign exchange, the Chengdu branch promptly made a type B special foreign exchange loan of \$780,000 to introduce a set of advanced glassblowing equipment and its special techniques from abroad. It is estimated that after production begins next May the rate of finished products will increase to more than 95 percent. The can plants in Daxian and Nanchong have sources of foreign

exchange but they only needed RMB for use inside China. The Chengdu branch of the Bank of China therefore made a type A special foreign exchange loan of \$1.47 million which was exchanged into RMB for use in China, thereby supporting technological transformation of these two plants. It is expected that after transformation is completed in the first half of next year they will be able to export cans that can increase foreign exchange by several million U.S. dollars annually.

The Chengdu branch of the Bank of China is prepared to organize concerned personnel to involve themselves in certain special counties to popularize actively and strive for greater development of special exchange loans.

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CSO: 4006/157

FOREIGN TRADE

PROGRESS OF FOREIGN INVESTMENT IN GUANGDONG REPORTED

Guangdong NANFANG RIBAO in Chinese 23 Nov 83 p 1

[Report by Liao Chengye [1675 2052 2814] and Chai Xiaoying [2693 1420 7751]: "Unexpected Gain in the Use of Foreign Investment in Guangdong; Contracts with Traveling Traders Specify an Investment of More Than \$80 Million This Year, Actual Investment Has Already Exceeded \$100 Million"]

[Text] Yesterday the reporters learned from our provincial work conference on the use of foreign investment held in Foshan that in using foreign investment since the beginning of this year, there has been new development in promoting different forms of economic relations and technical cooperation with foreign countries. The new features are as follows.

There has been a large increase in the number of newly signed contracts and actual investment. According to the figures for January through September, 7,479 contracts that use foreign investment were signed with foreign traders, overseas Chinese traders and traders from Xianggang (and Aomen), an increase of 38.53 percent over the same period last year. The total amount of investment by traders as specified in the contracts was \$84.42 million and the actual investment was \$101.78 million, an increase of 35.15 percent over the same period last year. Owing to the relaxed policy, the number of joint ventures using Chinese and foreign investment and their dollar amount have tangibly increased. Quite a few traveling traders have even requested making additional investment and equipment or suggested building additional workshops and expanding production.

There are numerous large production projects to be introduced. Early this year, Guangdong outwardly announced 73 projects that would absorb investment from traveling traders and the provincial economic commission announced 28 projects of technological transformation. Of this group of 101 projects, 24 have been concluded and most of them are production projects. By the end of September, contracts for 46 preferential loans in compensatory trade approved for use in our province by the Ministry of Foreign Economic Relations and Trade have been signed and they are all production projects. Large production projects which have been signed this year include the Jiangmen Float Glass Plant, the Enping Cotton Textile Mill, the transformation projects of the Guangzhou Tire Plant, the Foshan color television production assembly

line and the Zhongshan Galvanized Welded Pipe Plant. Of the projects that were signed in the past, over 20 large factories begin production or partially begin production this year including the Xinhui Polyester Fiber and Filament Plant and the spray-water nylon yarn textile of the Foshan No 3 Silk Textile Mill.

Processing and assembly business with foreign countries continues to develop. Between January and September this year, 7,390 new contracts for processing and assembly with foreign countries have been signed in the province as a whole, an increase of 38.55 percent over the same period last year. Deducting \$15.6 million in repayment for equipment, the net revenue in labor charges was \$120.76 million, an increase of 21.65 percent over the same period last year.

Great progress has been made in absorbing overseas Chinese investment. The Guangdong Trust and Investment Corp has actively kept in touch with overseas Chinese traders throughout the world. By this time, the contract for the Shenzhen warehousing group with an investment of \$67 million from overseas Chinese has been signed. Another group of large projects are being negotiated or have reached agreements of principles or affidavits of intentions.

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CSO: 4006/155

GENERAL

STUDIES ON SMALL CITIES, TOWNS CARRIED OUT

Nanjing XINHUA RIBAO in Chinese 28 Sep 83 p 1

[Editorial: "Actively Launch the Study of Small Cities and Towns"]

[Text] Small cities and towns are linked with the rural areas on the one end and with the cities on the other end, and are an integral part of urban and rural areas. With the development of the agricultural economy, many small cities and towns have developed or are developing into the political, economic and cultural centers of the rural areas. Many of these small cities and towns are the pulses of the urban and rural economy and culture and are promoting urban and rural economic and cultural development. The development of many of these small cities and towns is also favorable to abiding by our country's principle of city construction, which is to "strictly control large cities, rationally develop medium-sized cities and actively develop small cities," and to gradually establishing a multi-level urban structure in the form of a pagoda. In short, the strategic position of small cities and towns in the four modernizations has won increasing attention from various aspects. In view of this, the Institute of Sociology of the Chinese Academy of Social Sciences, under the guidance of Professor Fei Xiaotong, joined in with the Institute of Sociology of the Academy of Social Sciences of our province and other concerned departments to carry out research on small cities and towns in Jiangsu. We warmly welcome this event! Without a doubt, this research embodies important practical as well as theoretical significance.

Our province is one that has many small cities and towns. Presently, the entire province has 134 towns directly under county jurisdiction and over 1,700 commune towns. However, under the influence of the "leftist" thinking, the role which many of these small cities and towns played in urban and rural construction has for a long period of time failed to arouse proper attention from people. Since the Third Plenary Session of the 11th CPC Central Committee, the party has adopted a series of measures to bring order out of chaos. The urban and rural economy, in particular the rural economy, has thrived. People have begun to realize, through the various aspects of economic and social development, the important role played by the small cities and towns that are spread throughout the rural areas in the province. In May

last year, the provincial party committee convened a conference on urban work in Changzhou. At that conference, it clearly put forth the demand to take the cities as the centers, the small cities and towns as the links and the rural areas as the bases in order to organize a new urban and rural economic, cultural, scientific and technological network and to realize the harmonious development of the urban and rural economy. It also emphasized the necessity to actively develop small cities and towns in order to give full play to their role as links between the urban and rural areas. In March this year, our province realized the new system of municipality-administered counties. This reform has brought about an extremely favorable condition for organizing the harmonious development of the urban and rural economy. People have attached greater importance to the small cities and towns as the integral parts of urban and rural areas, and have also begun to pay attention to all kinds of problems that exist in the reality of the work involving small cities and towns. For instance, the problem of planning, the problem of administrative and economic systems of organization, the problem of construction capital, the problem of labor policies, the problem of population flow, the problem of land use without repayment, the problem of environmental protection, and the problem of intellectual development and the construction of a spiritual civilization all demand research and solution. However, all these problems are complex, numerous and complicated. How should we correctly handle these problems? What are the pertinent reform measures which we must adopt? How should we understand the strategic position of small cities and towns in the four modernizations? How should we draw up the lines of demarcation between urban and rural areas? In what way can we give full play to the role of small cities and towns in linking up the urban and rural areas in the building of a socialism that has Chinese characteristics? What are the laws of development of small cities and towns? All this, and more. People have profoundly realized the necessity to conduct systematic and thorough research in small cities and towns, and are hoping that the scientific research workers can offer guidance both in theory and practice.

The research on small cities and towns conducted by the Institute of Sociology under the Chinese Academy of Social Sciences happened to coincide with the needs of our province's practical work. This is just what Jiangsu wants. We believe that the results of the research on this topic will definitely bring forth many propositions with guiding significance for the construction of small cities and towns in Jiangsu, will provide valuable information for the decision making of the concerned departments of the state, and will also have important referential value in the construction of small cities and towns for other provinces and municipalities. In terms of scientific construction, this research work will be a great motive force for the development of sociology in our province and the building of a sociology research rank in our province. Thus, we hope that the various concerned departments and concerned scientific research units and institutions will include this research work in their scientific research plans, actively

support the work of the topical research group in small cities and towns, carry out cooperation properly, support one another and render contributions to the research on this topic.

At the discussion conference on the "research on small cities and towns in Jiangsu Province," held in Nanjing on this occasion, we widely exchanged academic thinking and made overall arrangements regarding the research on small cities and towns in the next stage. This was an effective conference. The various cities in our province all sent delegates from concerned departments and units to attend the conference. We also hope that the various cities will take into consideration their own situations and the characteristics of different types of small cities and towns, and, in particular, take into consideration the new situation since the establishment of municipality-administered counties, then conduct investigation and study on one or two specific towns. Although our province has a large number of small cities and towns, there are very big differences between southern Jiangsu, central Jiangsu and northern Jiangsu. In launching research on small cities and towns, the various cities must proceed from their own reality. The topical research group will still focus its work on southern Jiangsu this year. It is prepared to cross the river next year to conduct comparative studies on the small cities and towns in the central and northern Jiangsu regions in order to explore the common laws of the development of small cities and towns. In launching independent studies on small cities and towns, the various cities are not only coordinating with the research work of the topical research group, but, through these studies, are also finding out about their situation, discovering the laws and studying the policies for organizing in a more rational and proper manner an urban and rural economic network and cultural and scientific and technological network, and for giving better play to the proper role of small cities and towns in these networks.

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GENERAL

FUJIAN INTENDS TO SPEED UP CITY PLANNING

Fuzhou FUJIAN RIBAO in Chinese 12 Nov 83 p 1

[Report: "Fujian Provincial Government Informs All Cities and Counties to Speed Up Overall City Planning"]

[Text] The provincial people's government recently issued circulars to all cities and counties and demanded them to speed up their work in overall city planning.

After the national work conference on city planning, city planning in our province has made definite progress, but it is still very slow and we lag far behind. Consequently, the provincial government has demanded that all municipal and county governments place this task on the daily agenda, establish city (and town) planning and construction committees or small leadership groups as soon as possible and conscientiously strengthen leadership.

The circular demanded that when drawing up urban plans, we should further understand clearly the guiding ideology of city planning, proceed from reality, conscientiously succeed in strict control over city planning, not to blindly develop medium-sized cities but develop small towns according to the principle of "unity between the worker and the peasant, unity between urban and rural areas, benefit production, and make life convenient." One must stress the special features and trends of development of one's area, suit measures to local conditions, never make indiscriminate use of the general pattern of cities, not to engage in formalism, not to set up cities that are large, Western and complete, and not to blindly insist on high-rise structures. Further, one must not carry out large-scale demolition relocation and construction, but advocate the spirit of arduous struggle and of performing all tasks industriously.

In order to increase professionalism and step up the pace of this work, the provincial government has approved setting up the provincial urban and rural planning and design institute and demanded that all cities and counties with favorable conditions set up planning and design organs.

The provincial government has demanded the basic completion of the drawing, examination and approval of the overall urban plan for the construction of new

cities by the end of this year; basic completion for county towns by the end of 1984; and total completion for county towns and near completion for organized towns by the end of 1985. Cities and counties which have completed overall planning must begin drawing up detailed plans.

The circular reaffirmed that after the overall plans for cities are formally approved, they will take legal effect and must be implemented conscientiously. No unit or individual can freely change them. In the future, for the investment on city and county building, the state will give preferential arrangement to those cities and county cities whose plans have already been drawn up.

9586

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GENERAL

STATE COUNCIL APPROVES PLANS OF THREE CITIES

OW271118 Beijing Domestic Service in Mandarin 1200 GMT 24 Jan 84

[Text] The State Council recently approved the city plans of Chengdu, Zhengzhou and Kunming. In its memorandum approving Chengdu's city planning, the State Council noted: Chengdu city is one of our country's historical and cultural cities; it is also an important scientific and cultural center. Therefore, it is necessary to strictly control its population growth while developing its small satellite cities and towns. Existing industries that are a nuisance to the people and pollute the environment should be carefully treated. Those industries that are difficult to handle should be made to change over to production of other products or be relocated in a planned way in conjunction with the current industrial readjustment.

In undertaking urban construction, Chengdu's historical and cultural traditions should be maintained; its famous historic sites and valuable ancient buildings should be properly protected. In transforming the old urban districts, it is necessary to pay attention to absorbing the traditional local style while striving to raise the architectural standard.

In approving the city planning of Zhengzhou city, the State Council commented: Zhengzhou is the hub of our country's railway communications and is an industrial city noted for its light and textile industries. Effective measures must be taken to control the growth of population in the urban areas. Large and medium-sized projects to be built in the future should be located in its small satellite cities and towns, and the effects on the city of railway communications should be properly handled. In urban water supply work, equal importance should be given to both conservation and expansion of water resources. At present, priority should be given to water conservation and the prevention of waste. In addition, it is necessary to expand the area planted to trees and to effectively improve the city's appearance and environmental sanitation, thereby building Zhengzhou into a clean, beautiful, modern socialist city having a developed economy.

In approving the city planning of Kunming city, the State Council said: Kunming is one of China's noted historical and cultural cities. It has conditions favorable for developing into a scenic and tourist city. The city's industrial development should rely primarily on technological progress, high labor productivity, and the production capacity of its existing industry. In developing its industry, attention should be paid to protecting the environment.

The State Council further noted: Dianci is a famous highland lake; its scenery is beautiful and there are many famous historic sites nearby. Therefore, the Dianci scenic area should be produced properly. In carrying out urban construction in Kunming, it is necessary to preserve its original special characteristics and local architectural style. In addition, efforts should be made to present it as a city of spring by expanding the areas planted to trees.

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